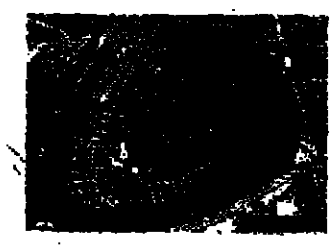
FINANCIAL TIMES

Artificial arteries
PET is not just for bottles
Technology, Page 24

Philippines
Showing Apec its tiger aspirations
Page 14

Russian taxes
Looming winter of discontent
Page 4



Today's surveys
Quebec
Atlanta: Olympic legacy
Separate sections

World Business Newspaper http://www.FT.com TUESDAY NOVEMBER 12 1996

Preparing for Emu

● Today, the FT launches a weekly series, Preparing for Emu, examining the challenges faced by businesses and governments as the planned launch of a single European currency in 1999 approaches. See page 2.

Shares scandal shuts Athens stock exchange

Athens stock exchange stayed shut yesterday amid allegations that leading Greek brokerage houses, including several controlled by state-owned banks, were involved in a share-trading scandal revealed last week. The collapse of Delta Securities, a small firm which failed to pay Dr2.6bn ($11m) owed to the bourse clearing house, sent share prices plunging last Thursday. Delta's offices were sealed and arrest warrants issued for three of its top staff. Page 3

Munich Re profits may ease this year because of a dilution from the giant reinsurance group's $3.3bn acquisition of American Reinsurance last August. Net profits were up 83 per cent to DM596m ($395m) in the year to June 30. Page 17

Israel seeks help: Israel appealed to Egypt to help find an Israeli abducted last week on the way back to his Cairo hotel from the factory where he worked. Two other Israelis present at the time said the kidnappers asked for technical manager Azam Azam by name and demanded to see his passport before taking him away. Page 7

Bhutto seeks reinstatement: Ousted Pakistan prime minister Benazir Bhutto plans an early appeal to the Supreme Court asking to be restored to power. She accused president Farooq Leghari, who ousted her, of executing a coup. Sick Pakistan's doctor arrives, Page 8

Bribes charge: Former South Korean defence minister Lee Yang-ho, sacked last month, was formally charged with bribery and leaking state secrets. The ex-head of Daewoo Heavy Industries, Sok Chin-chol, was also indicted. Page 8

Afghans flee fighting: Fighting between Afghanistan's Islamic Taliban militia and its opponents has forced up to 50,000 people to flee their homes in the north-west of the country, the UN said. Many are making for the western, Taliban-held city of Herat.

German pay deal: German building employers agreed to a DM17 ($11) minimum hourly wage in western Germany and DM15.64 in the east. The new rules, aimed at reducing the influx of construction workers from other EU countries, will apply from January until August next year. Page 3

Italian silver scam: Milan tax police have cracked a Europe-wide silver trafficking racket and arrested six men. The tax police, helped by police in Germany, Belgium and the Netherlands, uncovered a network importing silver into Italy from Swiss banks, avoiding payment of some $116m of value added tax in Italy and Germany. Page 3

Colt Telecommunications, the US-owned venture which provides cut-price services to companies in the City of London and Frankfurt, is to float soon in a deal set to give it a market capitalisation of about $450m. Page 17

Vietnam plans export drive: Vietnamese finance minister Nguyen Sinh Hung promised an export drive to combat the country's expanding trade deficit. The trade ministry last week reported a $3.49bn deficit of for the first 10 months of this year. Page 8

BA crew hurt: Seventeen British Airways crew were injured in Zambia when students attacked their bus at the weekend. Four were badly hurt and flown to South Africa for treatment. The student riots over election rules continued yesterday and the University of Zambia was closed.

Aluminium glut warning: Aluminium markets could face another big slump at the turn of the century as rising stocks depress prices, says an industry research study. Page 16 ; Commodities, Page 28

German flight chaos: Deutsche Lufthansa cancelled 35 flights and 46 were delayed because of a two-hour strike over pay by air crews and ground staff in Germany.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,254.86	(+35.04)
NASDAQ Composite	1,258.98	(+1.47)
Europe and Far East		
CAC40	2,205.20	(-6.61)
DAX	2,728.32	(-11.51)
FTSE 100	3,914.4	(+3.6)
Nikkei	21,065.06	(-135.96)

■ US LUNCHTIME RATES

Federal Funds	closed
3-mth Treas Bills: Yld	closed
Long Bond	closed
Yield	closed

■ OTHER RATES

UK: 3-mo Interbank	6 3/16%	(6 11/16%)
UK: 10 yr Gilt	99 3/32	(98 13/16)
France: 10 yr OAT	closed	
Germany: 10 yr Bund	102.56	(102.29)
Japan: 10 yr JGB	101.7957	(102.0857)

■ NORTH SEA OIL (Argus)

Brent Dated	$22.65	(22.165)

■ GOLD

New York: Comex		
(Dec)	$382.8	(380.5)
London:		
close	$380.85	(378.9)

■ DOLLAR

New York lunchtime		
£	1.6475	
DM	1.495	
FFr	(n)	
SFr	1.2575	
Y	110.95	
London:		
£	1.6463	(1.6447)
DM	1.499	(1.5059)
FFr	5.0723	(5.0836)
SFr	1.2606	(1.2689)
Y	111.24	(111.55)
Tokyo close:	Y 111.65	

■ STERLING

DM	2.4677	(2.4768)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00		
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13		
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30		
Belgium	BFr75	Hungary	Ft270	Morocco	MDh16	Slovak Rp	Sk75		
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00		
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250		
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20		
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70		
Estonia	EKr 26	Japan	Y500	Pakistan	Rs60	Syria	S£80.00		
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000		
France	FFr12.00	Kuwait	Fils.750	Portugal (m'land)		Turkey	L120,000		
Germany	DM4.00	Lebanon	LL3500		E£85	UAE	Dh13.00		

Germany threatens to delay Emu agreement

By Lionel Barber in Brussels

Germany yesterday threatened to delay a European Union-wide agreement on the introduction of a single currency unless it secured firm rules on when member countries could run excessive budget deficits.

The threat surfaced at a meeting of EU finance ministers in Brussels, which failed to break the deadlock over the terms of the so-called stability pact to enforce fiscal discipline among participants in European monetary union.

All 15 EU states subscribe to the principle of a stability pact to enforce budgetary discipline after Emu but most countries, with the exception of the Netherlands, argue that the German approach to budget deficits is too rigid.

Mr Kenneth Clarke, UK chancellor of the exchequer, spoke out against German calls for a numerical definition of the "temporary and exceptional" circumstances under which Emu participants would be allowed to exceed the Maastricht criteria and run public deficits in excess of 3 per cent of gross domestic product.

Mr Clarke said Germany was turning a "tiny footnote" into "a matter of high principle". Countries running substantial deficits rather than occasional "blips" would obviously face big penalties. But unless the stability pact was workable, it would not be credible in the eyes of financial markets.

In a pointed reference to Britain's Emu opt-out, Mr Jürgen Stark, deputy German finance minister, said inside the meeting that it was still open whether some countries would join the single currency. Later, he said Germany was not prepared to have rules on budgetary discipline dictated by countries who might not be in the first wave of Emu.

Despite the occasionally tense negotiations, both the Irish presidency and the European Commission suggested that German demands could increase the pressure to achieve a comprehensive deal on post-Emu fiscal and currency discipline at next month's EU summit in Dublin. Failure to agree in Dublin would not necessarily scupper the Emu timetable to launch a single currency on January 1 1999, but it could unsettle financial markets.

EU diplomats said one compromise being canvassed was to meet German demands for a numerical definition of a heavy recession. In return, finance ministers would retain the final word on whether "temporary and exceptional circumstances" prevailed.

Germany has set a target of a total 2 per cent fall in GDP over four consecutive quarters to define a heavy recession. Countries in those circumstances would be allowed to run deficits in excess of 3 per cent of GDP without facing sanctions. The Commission initially proposed an annual fall of 1.5 per cent in GDP, but the figure was dropped after EU commissioners said it took no account of countries' economic differences.

Preparing for Emu, Page 2
Martin Wolf, Page 14

Deutsche Telekom to raise size of share offer

Group seeks to avoid scaling down bids by German buyers

By Wolfgang Münchau in Frankfurt

Deutsche Telekom, the German telecommunications operator, has increased the size of its initial public share offering from 500m to 600m shares because of massive oversubscription.

The offer, the largest in European history, is already more than five times oversubscribed, with more bids expected before it officially closes on Thursday. According to preliminary internal calculations, the company is expected to choose a price at or near the ceiling of DM30 per share.

Telekom and its advisers are due to set the share price on Saturday, with trading due to start in Germany and on Wall Street on Monday. The price must be within a previously set range of DM25 to DM30 a share.

The company has decided to increase the number of shares to avoid the political embarrassment of having to scale down bids from private German investors, most of whom are first-time equity buyers.

On the basis of internal projections before the weekend, a private buyer who has applied for 300 shares – the ceiling for preferential entitlements – is now likely to end up with between 150 and 200 shares.

But the precise outcome remains uncertain and will depend on the number of last-minute bids, especially from financial institutions.

The 20 per cent increase in the number of shares is the maximum permitted under US rules. Telekom has also increased the size of the greenshoe, an over-allotment facility to meet extra demand and smooth out price fluctuations, by 30 per cent to 90m shares.

After the increase, Telekom could sell up to 690m shares, which would translate into gross receipts of up to DM20.7bn ($13.7bn) at a price of DM30 per share. Up to a further 30m shares will be reserved for employees. The company wants to use the receipts to reduce its high levels of debt.

The strong likelihood that the shares will be priced at or near the upper end of the price spectrum is not universally popular among analysts. One analyst, who asked not be named, pointed out that the increase in the offering would expand the company's total share capital by about 4 per cent, and would result in a proportionate decline in earnings per share.

It is widely assumed that German retail investors would accept a DM30 price tag per share, since the shares would

Continued on Page 16

Cuban president Fidel Castro (left) and his Mexican counterpart Ernesto Zedillo arrive yesterday at the summit of Ibero-American states in Viña del Mar, Chile. Heads of state at the summit issued an "energetic rejection" of the Helms-Burton act, the US law which seeks to curb trade with Cuba. Report, Page 10; Observer, Page 15

Italy puts back Stet sale and unveils merger

By Robert Graham in Rome

The Italian government said yesterday it would merge Stet, the state controlled telecoms group, with Telecom Italia (TI), its main operating company, and postpone privatisation until autumn 1997.

The move, representing a major change in policy, is part of a new plan to meet the demands of the European Commission to reduce the debts of the state holding company, Iri.

The announcement followed a meeting in Brussels between Mr Carlo Azeglio Ciampi, the Italian treasury minister, and Mr Karel Van Miert, the European competition commissioner, to discuss Italy's failure to honour a 1993 agreement to reduce Iri's L24,000bn ($15.8bn) debts to below L5,000bn by the end of this year.

All along, it has been known this would only be possible through the privatisation of Stet, in which Iri has a 64 per cent stake. However, political opposition to the creation of a telecoms authority has delayed the privatisation. In September, Italy managed to persuade the EU to extend the

Continued on Page 16
Italian Budget, Page 2
Mediaset debt plan, Page 18
Lex, Page 16

Japan plans deregulation of financial markets by 2001

By Daniel Bogler and William Dawkins in Tokyo

The Japanese government yesterday committed itself to far-reaching reforms of its financial markets by 2001, in its latest attempt to reverse the decline in Tokyo capital markets.

The ambitious package, described by Mr Hiroshi Mitsuzuka, the finance minister, as "Tokyo's equivalent of London's Big Bang", seeks to deregulate stockbroking commissions and abolish the barriers between banking and securities business.

Also proposed are the abolition of foreign exchange restrictions and the end of fixed commissions on other transactions, including insurance premiums. These would be followed by a wider reform of Japan's legal, tax and accounting systems to bring them into line with international standards and reduce transaction costs.

Almost all of yesterday's proposals were already under discussion, as part of a deregulation plan, but this is the first time the government has set a deadline.

Mr Ryutaro Hashimoto, the prime minister, yesterday said financial deregulation would be a priority of his new administration, which took office last week, along with plans to cut the civil service. Financial reform was needed to stop the yen declining in importance at a time when the European Union was moving to a single currency, he said.

A senior finance ministry official added: "We recognise that Tokyo has lagged behind New York, London and even Frankfurt and that Japanese financial institutions have lagged behind their international counterparts... This is our last chance to catch up."

He warned that the ministry was prepared to let weaker financial institutions collapse or be taken over in the increased competition that would result from deregulation – a reference to undercapitalised second-tier stockbrokers.

Analysts in Tokyo were sceptical, however, that Mr Hashimoto's minority government would be able to push through parliament such comprehensive reforms against a series of vested interests.

The first reform, the revision of Japan's foreign exchange regulations, will be submitted to the lower house next January and should become law by early summer. It will remove restrictions under which only authorised foreign exchange banks can carry out cross-border transactions.

Editorial Comment, Page 15
Lex, Page 16

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

NEWS: PREPARING FOR EMU

EU's members jockey to be first in the club

Europe's drive for a single currency is entering its most crucial phase. With just over two years to go until the planned launch of European monetary union, **Lionel Barber** and **Gillian Tett** introduce a new weekly section examining the practical challenges Emu poses for businesses, financial markets, governments and citizens

The project to launch European economic and monetary union on January 1, 1999 is moving towards a fascinating end-game.

Fickle financial markets have turned into true believers in the single European currency. Banks and big business are investing heavily to prepare. France and Germany are committed more deeply than ever to Emu, seeing it the cornerstone of a united Europe. In short, the pro-Emu forces look unstoppable.

Yet monetary union is not yet a done deal. Growth in Europe remains sluggish by US or Asian standards, making it harder for countries to meet Maastricht treaty targets for public sector deficits. Public opinion remains fragile at a time of high unemployment.

The idea of a single currency uniting nations of Europe has inspired political elites for a generation. More recently, it has been seen as the vital missing piece in the single market, a bulwark against currency manipulation and a guarantor of price stability.

Europe's leaders have resiliently defended Emu since agreeing its terms in the Dutch border town of Maastricht in December 1991. There, Chancellor Helmut Kohl, to the dismay of the Bundesbank and the German finance ministry, caved in to French-led pressure and gave a treaty commitment to exchange the D-Mark for a single European currency. His caveat was all Emu aspirants had to meet strict targets on inflation, debt, public deficits and exchange rate stability.

Over the past five years, financial markets have tested countries' ability to meet these targets, and found several lacking. In September 1992, speculators forced the British pound and Italian lira out of the European exchange rate mechanism. In August 1993, a currency crisis forced the suspension of the ERM and the introduction of 15 per cent fluctuation margins for participating currencies. The extra flexibility saved the Emu project.

All 15 EU member states subscribe to Emu, albeit with markedly different degrees of enthusiasm. The chief sponsors are France and Germany, whose unspoken bargain is that monetary union must "deepen" the Union ahead of "widening" to central and eastern Europe. Other members of the hard currency bloc include the Benelux countries and Austria, which long ago surrendered their sovereignty on monetary policy to the Bundesbank.

The second group comprises Finland, Ireland, Italy, Portugal, Spain and laggardly Greece. These countries would like to join Emu, but Finland, Ireland and Portugal look to have a better chance of meeting the Maastricht criteria in 1997 to qualify to be among the founding countries of Emu in 1999.

The third group comprises those capable of joining but not necessarily willing to join Emu, at least in the first wave. The UK government, armed with its Maastricht opt-out, occasionally behaves like the leader of the "outs". Denmark and Sweden also harbour political doubts about monetary union.

As the 1999 deadline draws closer, pressure to squeeze into the core grouping is increasing. France and Germany are slashing budget deficits to the Maastricht target of 3 per cent of GDP; so are Portugal and Spain and Italy, which is also poised to open delicate negotiations to rejoin the ERM.

Paradoxically, this dash to the Emu finishing line is making the politics of monetary union more complicated than ever. In crude terms, the issue comes down to "the German problem" and "the Italian problem".

Officially, Emu is open to all. Unofficially, only those countries which satisfy rigorous German terms can expect to make the cut in spring 1998. German officials admit that the Maastricht criteria were intended to reduce the chances of weaker economies, notably debt-ridden Italy, joining Emu in 1999.

Yet the reformist centre-left Italian government has staked all on early entry into Emu, seeing it as the core political grouping in Europe. This is why it reversed course in early autumn and ordered fresh budget cuts for 1997 amounting to a total cut of around 3 per cent of GDP, a huge slice of public spending which brought protesters to the streets last weekend.

The dilemma for Germany is that the forces in favour of flexible interpretation of the treaty are gaining ground. Last week, the European Commission suggested that as many as 12 countries could qualify for the first round and hinted Italy still had a chance.

Earlier, the Commission approved the French government's receipt of a one-off FFr37.5bn payment in pension transfers from France Télécom, which allows France to meet the 3 per cent deficit target.

Fear of fudge is driving German proposals for a stability pact to enforce budgetary discipline among countries participating in the euro zone. Bonn wants sanctions to be automatic and draconian to deter fiscal delinquents; but a majority led by Britain and Spain considers the German proposals to be too rigid and lacking in economic sense.

Here is the Emu conundrum. The German government must be able to show that the Maastricht rules are being applied rigorously, or risk an adverse ruling from the German constitutional court or a popular backlash against Europe. Yet Emu, for all its promised economic benefits, remains a political project which is supposed to unite rather than divide the EU.

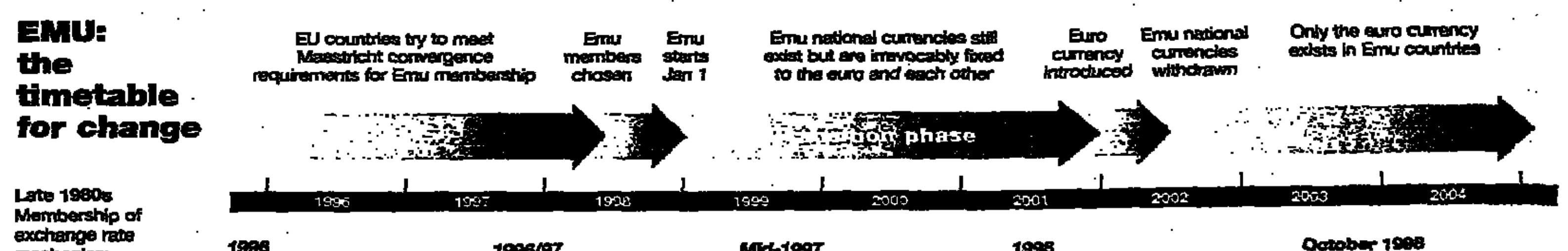
One compromise is to settle for a strict reading of the treaty, tempered with a promise to the weaker countries that they can expect to join Emu before 2002 when the first euro-notes and coins start circulating.

A gamble, perhaps. But that is the essence of Emu.

Lionel Barber

Everything you ever wanted to know about the euro . . .

EMU: the timetable for change



Late 1980s
Membership of exchange rate mechanism.

January 1 1994
Creation of European Monetary Institute. Stricter monitoring of countries' economies and deficits.

1996
Inter-governmental Conference (IGC) reviews Maastricht Treaty. European Commission and EMI to report on which countries have met Maastricht Treaty convergence targets.

1996/97
EU countries hope to agree currency and budget discipline in post-Emu world.

May 1997
Latest date for British general election.

Mid-1997
Likely conclusion of the IGC.

1997/98
Decision on which countries have met Emu criteria. No majority needed.

1998
Creation of central bank to run single monetary policy. Irrevocable locking of exchange rates and fixing of parities.

March 1998
French parliamentary elections.

October 1998
German national elections.

January 1 1999
Treaty date for launch of single currency.

2002
Introduction of euro notes and coins.

European Monetary Institute's proposed legal framework

Introduction and definition of the euro
The 100-cent euro will be the legal currency of Emu members from 1999 onwards. Emu national currencies will be expressions of the euro, and changing national currencies into euros will not affect the continuity of contracts. The Ecu will be replaced by the euro from 1999 onwards, but this also will not affect contracts.

Use of the euro in the transition phase
The euro can be freely used from 1999 onwards, but nobody can be forced to use it until 2002. However, the euro will become the official unit of account for Emu central banks.

Enforcing irrevocable conversion rates
Contracts which do not use the official conversion rate after 1999 will be unenforceable under EU law and no exchange rate risk will legally exist between the euro and other currencies. Exchange rates will be rounded to the nearest euro cent or national currency unit.

Notes and coins
From January 1, 2002 euro notes and coins will be put into circulation. From July 1, 2002 they will be the only legal tender in Emu countries. Emu national notes and coins will be legal tender until July 2002, but they may be withdrawn earlier.

Source: EMI, FT

Will European monetary union happen?

The prudent assumption is that Emu will happen and that it will start in 1999, or very soon after. But that remains probable, not certain.

Who decides whether it starts and who joins?

In the spring of 1998 European Union heads of governments will decide at a summit whether Emu should proceed. This will occur after the European Monetary Institute, the forerunner of a European Central Bank, and the European Commission, have judged which countries meet the single currency convergence criteria, which are that:

- Government deficit and debts must be no more than 3 per cent and 60 per cent of gross domestic product respectively;
- Inflation rates and long-term interest rates be within 1.5 percentage points and 2 percentage points of the average of the three countries with lowest inflation;
- The currency has stayed within the Exchange Rate Mechanism bands for two years.

Countries must fulfil these criteria in 1997 to qualify as founder members of Emu on January 1, 1999. Countries must also have an independent central bank.

That sounds tough. Will any country actually manage that?

Many will have difficulties. But the criteria can be interpreted flexibly: the Maastricht treaty indicates that debts that are falling towards the target may be acceptable. Deficits close to the 3 per cent ratio may also be accepted.

So who will join?

Emu is almost unimaginable without France and Germany. Countries already closely tied to the D-Mark – Netherlands, Austria, Belgium and Luxembourg – will almost certainly join. Ireland and Finland are strong contenders.

What about the rest?

Some might also join in 1999. Many may join later. The UK and Denmark, for example, are reluctant on political grounds, but that could change. Italy, Spain and Portugal may have problems qualifying in 1999, but could be promised entry soon after. Sweden might also join at some point. The only EU country which can be counted out for several years is Greece.

But if countries join at different stages, won't that complicate matters?

Yes – but the Emu timetable is already staggered over several years.

So once the members have been chosen, what happens in 1999?

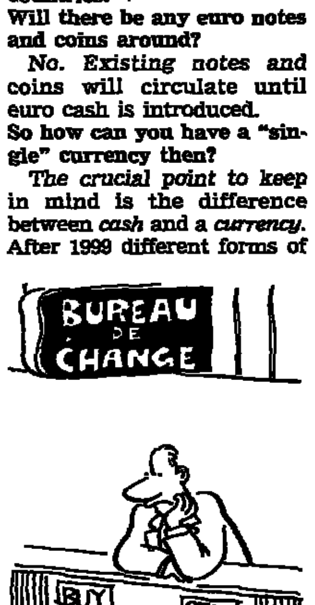
The single currency, the euro, is created as a unit of account. The European Central Bank takes control of monetary policy in all Emu countries.

Will there be any euro notes and coins around?

No. Existing notes and coins will circulate until euro cash is introduced.

So how can you have a "single" currency then?

The crucial point to keep in mind is the difference between cash and a currency. After 1999 different forms of



cash will exist in Emu member states. But they will not be separate currencies – they will be "non-decimal denominations" of the euro, locked in at permanent conversion rates.

Non-decimal denomination?

This concept is crucial. The easiest way to think about it is to visualise a currency such as the US dollar. One US cent is a "denomination" of the dollar. But imagine that there was another US coin – worth perhaps 7.2 cents. That coin would also be a denomination of the dollar: it would be "locked" into the dollar at a fixed conversion rate, just like cents are "locked" into the dollar at a conversion rate of 100 to one. And the US cent and the new coin would be fully interchangeable.

After 1999, the notes and coins of the French franc and D-Mark will be locked together and into the euro at permanent conversion rates. Just as nobody would think of trying to convert cents into dollars at anything other than 100 to one, so – in theory – the D-Mark and franc would be interchangeable at fixed rates.

How will these conversion rates be decided?

The formal decisions will be taken by finance ministers on Day One of monetary union, but it could come earlier to counteract market speculation. Several ideas have been mooted. The Frankfurt-based European Monetary Institute, the forerunner of European Central Bank, has suggested that average exchange rates over three years (1996-1998) could be used.

This could be "weighted" to give more emphasis to earlier years to discourage speculation in late 1998. Alternatively, the central parity rates in the Exchange Rate Mechanism might be chosen. Or the actual market rates in the basket currency, the Ecu, could be used (the Ecu is due to be replaced by the euro at a rate of one to one in 1999 anyway.)

If the Ecu method is used, one euro would be roughly equivalent to DM1.9, or £0.77 or FFr6.5 at current exchange rates. The ERM method yields a similar (but not identical) level.

But what if I want to change D-Mark notes into French francs at a different rate?

In theory, nobody should want to. There will also be legal measures which would discourage this: debts in francs or D-Marks, for example, could be freely converted into euros at any point, which reduces the motive for arbitrage.

But if the markets suspected Emu could collapse after 1999, some currency dealers might try. They might, perhaps, buy more D-Mark denominated instruments, which could create a separate market "price".

If there is one currency, will there be one monetary policy?

Yes. Interest rates will be set by the ECB.

Where does the ECB come from?

It will be the successor to the Frankfurt-based EMI, which is currently making practical preparations for the ECB.

How will the ECB operate?

It will be structured rather like the Bundesbank. The Maastricht treaty envisages that it will have a Governing Council, which will set monetary policy. Central bank governors from each Emu country will sit on this. There will be a full-time executive board in charge of day-to-day issues, which will also participate in the governing council. Mr Wim Duisenberg, Dutch central bank governor, is tipped for president.

What language will it use?

Most central bankers expect it to be English – even if the UK does not join Emu.

Will the ECB have links with non-Emu members?

Another grouping, the General Council of the ECB, will be made up of the central bank governors of all 15 member states. This will allow the ECB to co-ordinate closely with non-Emu members: after all, most non-Emu members could join Emu in the future, and most non-Emu members will be tied to the euro through a new exchange rate mechanism.

Will all non-Emu members be part of the ERM?

It will not be compulsory. The UK and Sweden may be unwilling to join.

How will the ERM work?

The ERM will be anchored around only one currency – the euro (under the current system the currencies are linked in bilateral bands.) Currencies will normally move within 15 per cent bands, though some countries may choose narrower bands.

The ECB is committed to supporting the system through intervention. However, its obligations may be moderate, since it will have the right to call for the realignment of currencies.

Will there be a parallel to the ECB at governmental level? A club of finance ministers, say?

The issue is a political minefield. Any attempt to create an "exclusive" club could divide the EU. Consequently, no new intergovernmental institutions are officially planned. But the emergence of some form of Emu "club" is certainly the next logical step. This is because it is difficult to separate monetary policy from other areas of fiscal and economic policy. And some decisions will be taken only by "ins" (such as sanctions in the stability pact and external exchange rate policy).

How will the ECB make interest rate decisions?

The governing council will decide the direction of monetary policy. Each Emu central bank governor will have an equal vote, together with each member of the ECB's executive board.

Won't that cause arguments?

Almost certainly – particularly if some central banks want a rate rise, and others want a cut.

How will the ECB judge whether a rate rise is needed?

Countries such as the UK and Sweden want to use inflation targets. Germany has previously pressed for monetary targets. But Germany might now be backing away from this – not least because monetary statistics could be initially unreliable. A mixture of inflation and monetary targets is likely.

Will the ECB be as tough as the Bundesbank in its fight against inflation?

The Maastricht treaty states the ECB's primary objective is maintenance of price stability. It may be keen to demonstrate a tough stance in the early months to establish its credibility. But decisions will be taken collectively – and some central bankers might want a more relaxed monetary policy.

Will the ECB want a strong or weak euro?

No one knows. Some economists think the ECB will want a strong euro, to guard against inflation. Others think politicians will want to weaken the euro against the US dollar, to help exporters. But the strength of the new currency will also be affected by whether institutional investors and central banks across the world buy euros as a reserve currency.

But what about other factors affecting the currency – debt levels, say?

The single currency convergence criteria are supposed to ensure the Emu area starts on a healthy fiscal footing – and thus that the money is sound. There will also be a fiscal stability pact to guarantee that countries stick to healthy fiscal policies afterwards.

How will the fiscal stability pact work?

The details are still controversial. But current Commission proposals envisage that countries will pledge to keep their budget deficit below 3 per cent of GDP. If they fail, they will be given 10 months to reduce it. After this they would have to lodge a non-interest bearing deposit with the Commission. If the country takes no action for two years, it could face a fine of up to 0.5 per cent of GDP, if approved by two thirds of Emu countries.

But what if one country goes off the rails completely? Will it be bailed out?

European governments have agreed a "no bail out" principle. Thus, in theory, a country could go bankrupt after Emu – just like a US county can go bankrupt. Consequently, credit agencies plan to give each country a separate credit rating.

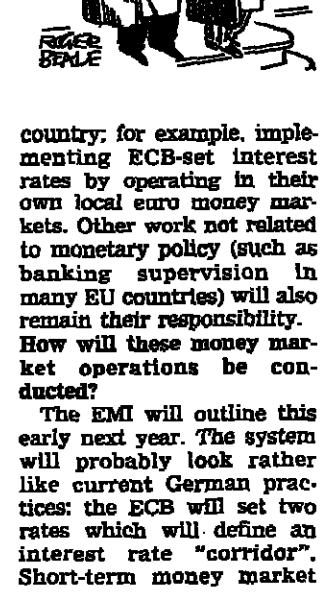
But it remains unclear how the ECB would respond if a country did ever threaten to default, not least because this could threaten the credibility of the system.

What will happen to the old national central banks in Emu countries? Will they disappear?

No, though they are likely to shrink. They will join together in the federally structured European System of Central Banks.

But what will they have left to do?

They will act as the operating arm of the ECB in each



country; for example, implementing ECB-set interest rates by operating in their own local euro money markets. Other work not related to monetary policy (such as banking supervision in many EU countries) will also remain their responsibility.

How will these money market operations be conducted?

The EMI will outline this early next year. The system will probably look rather like current German practices: the ECB will set two rates which will define an interest rate "corridor". Short-term money market rates will move within these, mainly guided by tenders for repurchase agreements.

Will there be a single centralised money market?

It has been agreed that money market operations in euros will be spread between the national banks. But there may be pressure for concentration in the future.

What about other parts of the financial markets? Will they be in euros, too?

The picture could be patchy. Government bonds issued after 1999 will have to be denominated in euros. But treatment of outstanding bonds in national currencies maturing after 1999 could vary. The French government intends to convert all its financial markets to euros immediately – including outstanding bonds. The Germans are expected to convert many outstanding bonds. But some instruments may remain denominated in the old currencies until 2002.

But if a packet of French bonds, say, is converted into euros, will it still be a round number?

Probably not: investors could face some very ugly numbers.

Will the conversion to euros affect the way that Europe's financial centres operate?

A single currency will create more transparency between markets – and thus could create pressure for more concentration and harmonisation. However, government bond markets may remain differentiated because investors will treat countries' credit risks differently. Harmonisation of the markets may also be undermined by current variations in market conventions.

Which financial centres will win or lose from this?

Europe's smallest financial centres, such as Brussels or Milan, could suffer. But the potential business shift between London, Europe's largest centre, and Paris and Frankfurt, is uncertain. If the UK joins Emu, London would probably dominate the euro-related market. If it stays outside, the picture will be complicated. The UK might lose some euro-related business to Frankfurt and Paris because it may face curbs in its access to euro liquidity in the future payments system, Target. But if the Emu area introduced a tough regulatory framework, this might make the UK attractive as a quasi "off-shore" centre.

Just as it has a euro-dollar market, for example, it might develop a "euro-euro" market. The interesting tussle, if the UK stays out, will be between Frankfurt and Paris: they will both be competing to be the main international financial centre in Emu.

Will anybody be using euros outside the markets?

Several big European companies such as Siemens and Philips intend to switch to accounting in euros in 1999. Any move by big businesses could force smaller ones to follow suit.

Even if businesses do not use the euro for internal accounting, there may be a tendency to quote prices in

euros for trading from 1999 onwards.

Could companies actually stop using national currencies after 1999 then?

Probably not, because consumers will still be using national currency units. The public sector will probably be working in national currency units as well. A further obstacle to any rapid switch is that companies may not be able to pay taxes and file accounts in euros.

Can companies be forced to use euros?

European governments have agreed that there will be "no compulsion" and "no prohibition" in the use of the euro between 1999 and 2002.

But what if one business partner wants to use euros – and the other does not?

Commercial clout will probably dictate the outcome, unless banks bear the conversion costs.

But won't coping with two currency units be complicated for companies?

Big companies which already deal in many currencies will probably not have difficulties. Small companies used to dealing with one currency could find it harder.

Why are notes and coins not being introduced until 2002 then?

Central banks say three years are needed to print the banknotes and mint coins. Retailers and banks also want a long run-up. And the public sector could need a long time to prepare: governments have barely begun to consider logistics of changing their services over to euros.

But governments could change the date if they wanted: some Commission officials, for example, have suggested introducing the cash in the autumn of 2001.

How will the new cash be introduced?

The official scenario envisages a gradual introduction – in the first six months of 2002. During this period the old currencies would circulate as well. This could help consumers adapt. Retailers are vehemently opposed to this. They want a "big bang" approach, with the old cash replaced by the new very rapidly, instead of circulating in tandem for a period.

What will it look like?

A competition to design the banknotes is under way. There will be one common design for the banknotes and coins, but space will be left for separate national symbols on the coins, and probably the notes as well. The UK, for example, could probably keep its monarch's head on the cash if it joined.

What happens to vending machines?

The industry says converting them will take six months: there are over a million coin-operated machines in the UK alone.

What about non-Emu areas – the UK perhaps? Will its companies have to worry about all this?

If the UK stays out of Emu, banks and financial institutions will need to cope with a new "foreign" currency. Companies trading with Emu countries may have to deal in euros. And if the Emu area is large enough, the euro may even become a popular price reference for some business sectors in the UK.

But the UK will avoid the most costly part of the exercise – introducing the new cash. Unless, of course, it decides to join later.

How much will all this cost?

Nobody knows. EU retailers have estimated a bill of between Ecu17bn and Ecu27bn. Banks estimate their costs will be Ecu10bn – but that figure is almost 18 months old and considered an underestimate. Nobody has tried to calculate the cost for other companies yet.

Who gains from the switch?

Not Europe's foreign exchange booths. But computer companies will see a surge in demand for their services, as systems are adapted to Emu. Accountants and management consultants may see surging demand for Emu advice. And companies which print banknotes have reason to celebrate. And, of course, if you believe the Emu enthusiasts, all businesses should eventually benefit from the economic integration and stability which a single currency could eventually deliver. That, after all is supposed to be the whole point of this fiendishly complex project. But that's another story...

Gillian Tett

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholder of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge London SE1 9HL. R

Share scandal shuts Athens bourse

By Kerin Hope in Athens

The Athens stock exchange remained shut yesterday amid allegations that leading Greek brokerage houses, including several controlled by state-owned banks, were involved in a share-trading scandal revealed last week.

The collapse of Delta Securities, a small stockbroking firm which failed to pay Dr2.6bn ($11m) owed to the bourse clearing house, sent share prices plunging last Thursday. The firm's offices were sealed and arrest warrants issued for its chief trader and two other directors on charges of criminal fraud.

Most of Greece's 65 stockbroking firms have said they will boycott the market until the clearing house completes settlement of all outstanding share trades. Mr John Marcopoulos, managing director of Sigma Securities, the largest Greek brokerage, said: "The situation has to be clarified in order to restore confidence, and that means total settlement."

The scandal underlines weak regulation of Greece's stock market, where brokerage houses are known to lend each other share certificates and reach private *agreements* with the clearing house on postponing settlement.

The stock exchange chairman, Mr Manolis Xanthakis, has offered to resign over the scandal. He came under attack yesterday both for failing to investigate heavy trading by Delta in a few shares during the past three months and for allowing delays in settlement at the bourse clearing house.

Delta's chief trader, Mr Spyros Valdeseras, is accused of manipulating the price of shares in Magrizos, a small textile manufacturer which became one of the most active stocks on the bourse. Its price has fluctuated over the past year from Dr250 to Dr1,350, while trading volume soared to unprecedented levels.

Brokers said at least nine houses, including firms controlled by Greece's largest state-owned banks – National Bank, Commercial Bank and Ionian Bank – had traded shares in Magrizos with Delta Securities.

One broker said: "The huge volume of shares traded in Magrizos helped to boost the brokerages' commission income at a time of intense competition for market share."

The scandal has dealt a further blow to Greek investors' confidence in the bourse. Earlier this year, the exchange suspended trading in Globe, a textile and food-processor whose share price fluctuated violently before collapsing, and issued an unofficial warning to several other small companies whose shares showed strong gains after they had published poor results.

Bonn coalition backs spending cuts

Party differences buried in effort to meet criteria for EU monetary union

By Peter Norman in Bonn

Germany's governing coalition parties yesterday buried their differences and backed proposals from Mr Theo Waigel, the finance minister, to cut next year's federal spending plans by DM3bn ($1.2bn) *as part of* efforts to meet the Maastricht criteria for economic and monetary union.

At a meeting late on Sunday chaired by Chancellor Helmut Kohl, ministers gave their support to cuts designed to keep next year's federal deficit below the already planned DM56.5bn.

The proposals were approved last night by MPs from Mr Kohl's Christian *Democrat Union*, Mr Waigel's Christian Social Union and the small Free Democrat party. Mr Waigel said federal spending would fall next year by 2.4 per cent to about DM440bn and the 1997 budget would be financed without new tax increases.

Preparation of the draft *budget will be completed in* the Bundestag budget committee on Thursday in readiness for its final reading in the lower house of parliament at the end of this month. The committee will consider additional economies, explore the scope for reducing interest costs and seek extra income from fees and licences.

The labour and social affairs ministry will contribute *DM1bn to the cuts,* mainly through savings in training budgets. Other significant savings will come from the transport budget (DM450m), the economics ministry (DM260m), agriculture (DM240m), defence (DM200m), research (DM166m) and the interior *ministry (DM150m).*

These savings are needed partly because the cost of unemployment next year has been revised upwards.

Although Germany's fragile public finances have caused much bad blood inside the coalition in recent weeks, politicians stressed *yesterday that the latest* talks had been harmonious.

The problems surrounding Germany's public finances contrast with the nation's enviable record of price stability. The federal statistics office reported yesterday that the year-on-year inflation rates in eastern and western Germany converged on 1.5 per cent in October. It was the first time since unification in 1990 that prices have risen at the same rate. The cost of living stayed unchanged in both eastern and western Germany compared with September.

For eastern Germany, the October figures represent the end of an extended period in which inflation has been higher than in the west, *largely because of a* catch-up in rents. Prices in the new Länder (states) have risen nearly 36 per cent since 1991 compared with 14.4 per cent in western Germany.

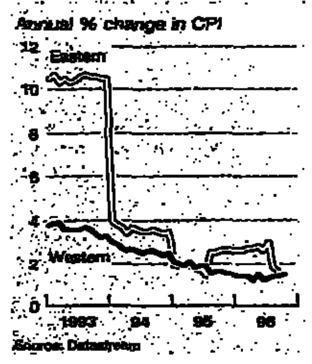
Retail sales in August were a real 1.2 per cent lower than a year earlier, while in the first eight months sales volumes were 0.9 per cent below those of *the same 1995 period.*

German construction employers yesterday agreed to a minimum hourly wage of DM17 ($11) in western Germany and DM15.64 in the east after months of bitter wrangling with IG Bau, the construction union, writes Wolfgang Munchau in Frankfurt. Employers accepted the principle of a minimum wage in exchange for a strict time limit. The new rules will apply from January until August next year.

The minimum wage is aimed at reducing the influx of *construction workers from other European Union countries,* many of whom are working at substantially lower wage rates than the minimum rates applicable to German construction workers.

German inflation

Annual % change in CPI



Source: Datastream

Berlusconi steps up confrontation over budget

By Robert Graham in Rome

Italy's rightwing opposition parties yesterday stepped up their confrontation with the government over next year's budget by announcing they would no longer vote on any of its provisions. This is unlikely to alter the course of the budget but could have a negative impact on the stalled dialogue on constitutional reform.

The move came on the heels of the big demonstration in Rome organised by the opposition at the weekend in protest at tax increases in the budget, *which is due to pass through* the chamber of deputies by November 17.

Mr Silvio Berlusconi, former premier and leader of the rightwing alliance, accused the government of trying to push through measures without spelling out their details.

Separately, the populist Northern League also declared it would no take part in voting on the budget.

The budget is proposing to find savings of L62,500bn ($41bn) in two phases in order to bring the Italian def*icit in line with the conver*gence criteria for joining the proposed single European currency.

Mr Berlusconi and his allies have put forward their own budget plans which accept a similar objective of reducing the deficit to 3 per *cent of gross domestic* product by the end of next year. However, they are insisting on holding down tax increases and on more cuts in public spending.

The main source of friction in the current confrontation is over the govern*ment's intention to make* extensive use of delegate laws in the budget.

A device to implement legislation rapidly, they contain only a brief outline of a legislative proposal, and once they are approved, authority is delegated to the govern*ment to fill in the details.*

Attached to the 1997 budget are almost 50 delegate laws. These cover a broad range of cost-saving and rationalisation measures including an overhaul of the *tax system*, a shake-up in the civil service, decentralis*ation, new methods of public* accounting and changes in military recruitment.

The opposition claims the government is stifling debate and abusing the constitution with such extensive resort to delegate laws. Mr Romano Prodi, the prime minister, *has offered to discuss the* matter, but if he gives way too much it will look as though he has been influenced by the weekend demonstration.

His tough stand has been in contrast with Mr Massimo D'Alema, leader of the Party of the Democratic Left (PDS), the dominant partner in the government, who is concerned to keep a dialogue open with the opposition.

He fears that intransigence over the budget could prejudice the prospects of co-operating on constitutional *reform; and if the parties are* unable to agree on renovating the creaking structures of state, the country could once more face an election.

To fiscal independence, Page 14

EUROPEAN NEWS DIGEST

Police crack silver racket

Italian tax police said yesterday they had cracked a massive Europe-wide silver trafficking racket, seizing more than 20 tonnes of silver, and had arrested six men. "Operation Foil", directed by Milan tax police with the help of the European Commission's anti-fraud division and police forces in Germany, Belgium and the Netherlands, had discovered a vast network importing silver into Italy from Swiss banks, avoiding the payment of value added tax.

Police said the network had avoided paying tax of some L120bn ($80m) in Italy and around DM24m ($16m) in Germany "thanks to the trafficking of the precious metal through a merry-go-round of phantom or filter companies". *Reuter, Milan*

French party's Emu demand

The left wing of France's opposition Socialist party has won the approval of the party's national executive for new conditions on European monetary union, a reduction in the maximum working week to 35 hours without any matching cut in pay, and state programmes to boost youth employment by 700,000 over two years.

The national executive's programme, to be submitted to a party congress next month, insists on the widest possible participation in Emu, including Italy, Spain and Britain; on a "real European government" to counterbalance the power of the proposed European central bank; on Emu participants to agree a pact of growth as well as stability; and on negotiations with the US to ensure the euro is not overvalued in relation to the dollar.

Mr Lionel Jospin, the Socialist leader, is finding it increasingly difficult to stem criticism within his party of the Maastricht treaty, despite the presence of Mr Jacques Delors, the former European Commission president and architect of Maastricht, and his daughter, Mrs Martine Aubry, on the party executive. With the backing of the Socialist left, Mr Henri Emmanuelli, who was Mr Jospin's predecessor as party leader, intends to ask the December 14-15 congress to endorse a devaluation of the franc against the D-Mark. *David Buchan, Paris*

South Ossetia leader elected

Mr Lyudvig Chibirov, leader of South Ossetia, has been elected president of the Georgian breakaway region, the self-proclaimed state's central elections commission said yesterday. Incomplete returns from Sunday's election showed the 64-year-old ethnographer, who has ruled for three years without the title of president, had won more than 50 per cent of the votes in a poll branded illegal by Tbilisi.

The election commission said Mr Chibirov had 52.3 per cent of the votes counted so far and would clear the 50 per cent needed to prevent a second-round run-off. Mr Chibirov's nearest rival, Mr Gerasim Khugayev, 51, a philosophy professor, won 22.9 per cent in a turnout of 61.3 per cent.

South Ossetia declared independence as the Soviet Union was disintegrating in 1991 and fought a war with *Georgia in which more than 1,000 people died.* Economic woes, rising crime in the region and the slim chance that any country will recognise South Ossetia have led Mr Chibirov to sign a preliminary political accord with Tbilisi earlier this year, even though he still pays lip service to independence. *Reuter, Tbilisi*

NEWS: EUROPE

Russia to root out tax 'counter-revolutionaries'

A committee reminiscent of the origins of the KGB has been given the task of solving a government revenue crisis so serious it is a matter of state security, writes John Thornhill

The first time Russia created an extraordinary committee, known as the Vecheka, was in 1917 when "Iron Felix" Dzershinsky was entrusted with the task of rooting out counter-revolutionaries in the wake of the Bolshevik revolution. The committee was later transformed into the KGB.

It is a measure of how seriously the current government views its financial plight that it has ignored the ominous historical associations and established the second Vecheka in Russian history – this time to collect taxes.

In crude terms, the challenge for the committee, which includes Mr Victor Chernomyrdin, the prime minister, and the head of the presidential administration, is to raise enough revenue to ensure Russia continues to function as a state.

With the government owing billions of roubles to millions of pensioners, federal employees, and soldiers and the defence minister warning that the cash-starved army might soon cease to function as a reliable force, there is, in the view of many, a danger that the state might simply wither away.

"If the government is not able to collect taxes or control budget spending it is not a government," says Mr Grigory Yavlinsky, leader of the liberal Yabloko party.

Russia's public finances have been squeezed in a tightening vice for most of this decade as an increasing share of the country's economic activity has slid from the contracting official economy into the expanding grey economy, which largely evades the tax authorities.

Matters grew particularly acute this summer as a result of the vast strains associated with the presidential elections.

While President Boris Yeltsin toured the country doling out ever more lavish promises of largesse, Moscow's spending ministries were issuing an increasing volume of tax credits and other forms of quasi-money to hard-pressed companies. Loss-making enterprises, which should have been pushed into bankruptcy, were thereby granted reprieves.

Since the elections, the government moved quickly to rein in its spending commitments, in effect reneging on most of Mr Yeltsin's promises.

But it has found it much harder to make up the shortfall on the revenue side of the budget. After the government said it would stop accepting government-issued quasi-money as a form of tax payment from August 15, nominal budget revenues plummeted to just 45 per cent of target in September.

The International Monetary Fund has grown so concerned that it has delayed disbursement of the October tranche of its $10.2bn budget support loan until it has stronger evidence of the government's determination to tackle the revenue shortfall.

Yet, as is so often the case in Russia, only the threat of a looming crisis has spurred the government into taking the radical steps needed to overhaul the country's labyrinthine tax regime.

The Vecheka has already moved to plug the immediate shortfall by targeting the worst corporate tax debtors and threatening them with bankruptcy.

There are early signs that this tough approach may be working. The finance ministry reported that tax revenues in the second half of October jumped to Rbs10,600bn ($1.94bn) compared with just Rbs3,000bn collected in the first two weeks of the month.

Mr Alexander Livshits, finance minister, said yesterday that this "positive dynamic" had continued in November although he questioned whether this would be sufficient evidence for the IMF to resume its loan later this month. "We hope for a positive decision from the IMF but we are not fully confident of this," he said.

The government's longer term challenge, however, will be to transform the tax regime into a more efficient system for capturing revenue in the private sector, shifting a greater tax burden from companies on to individuals, and purging the popular attitude that paying taxes is someone else's responsibility.

A new tax code, currently wending its way through parliament, is needed to simplify the tax system and help iron out several legal wrinkles complicating revenue collection.

"People in the ministry of finance only see tax as a means of collecting money. But taxes are an economic instrument which affects investment and regional and social development. I hear little debate about this," says Mr Boris Fyodorov, the former finance minister.

In a recent interview, Mr Yegor Gaidar, the former prime minister, argued the most critical issue was for the government to develop the political will to punish the worst tax offenders and scare company directors into paying.

In the current environment, "not one sensible director, who thinks about the interests of his enterprise and is an economically rational person in the sense that Adam Smith described, should pay their taxes," he said.

Despite the immediate pressures, the government has shown its resolve to hold its budget deficit to a revised annual target of 5.25 per cent of GDP and may simply stop spending if this target is jeopardised – no matter how much social pain this may cause.

The argument is that with inflation tamed and the rouble held steady, all that is needed for economic growth to resume is for interest rates to be cut from their current crippling level of about 50 per cent, which will only happen if public finances are brought under control.

As the first snows begin to fall in Moscow and strikes and protest marches multiply, it promises to be a bleak winter for those dependent on the government's budget.

UK and Italy join European arms agency

By Bruce Clark in Bonn

Collaboration between Europe's defence industries will take a important step forward today when Britain and Italy sign up to an agency established by France and Germany to oversee joint arms production projects.

The admission of Britain to the Bonn-based agency – an embryonic structure with a staff of around 15, but expected to grow considerably – comes after delicate negotiations over its terms of reference.

Mr Michael Portillo, the UK defence secretary, has won promises that participation in the agency will not imply a "blanket European preference" in arms procurement or exclude purchasing US arms if they offer better value.

However, the UK minister, who will formally join the expanded agency at a meeting with his three counterparts in Strasbourg today, has also assured them that he shares their goal of a strong defence industrial base in Europe.

In several speeches this year, Mr Portillo has said that western Europe should be concerned by the growing lead in defence technology enjoyed by US companies. Until recently, this line of argument was mainly heard from France.

The agency's first important task will be to design and oversee the procurement by its four member governments of a new multi-role armoured vehicle (MRAV). This project is still on the drawing board but its eventual value could run into several billion dollars.

UK officials said the agency would seek to establish a common set of procedures for contracting and intellectual property rights, thus avoiding the duplication of work which has to be carried out at present in all multinational arms projects.

If this is successful, the inter-governmental teams overseeing each individual project should in future be smaller and more efficient, the officials said.

But tasks would only be assigned to the Bonn agency on an ad hoc basis, and its success in managing the MRAV would have to be assessed before deciding whether to give it responsibility for other high-value projects, such as the frigate which the UK, France and Italy hope to produce.

In another military co-operation project which will start on a small scale but could grow considerably, some 13 European nations will agree in Belgium next week to establish a new legal entity with powers to commission military research.

Mr Volker Rühe, the German defence minister, called at the weekend for a stronger European role within Nato and a more robust security policy for the European Union.

Vytautas Landsbergis: clear winner of parliamentary election Reuter

Concerns eased over Lithuanian currency

By Matthew Kaminski in Kiev

The centre-right coalition led by Mr Vytautas Landsbergis, Lithuania's former president, emerged yesterday as the clear winner of parliamentary elections after a strong showing in Sunday's second round of polling.

His conservative Homeland Union won a total of 70 seats, one short of a majority in the 140-strong parliament, but the 16 seats won by its partner, the Christian Democrats, give the coalition a comfortable majority.

Mr Gediminas Vagnorius, the presumptive prime minister in the new government, yesterday backed away from a controversial campaign pledge to scrap the independent currency board, which fixes parities for the litas, the Lithuanian currency. He said policy would not be changed for at least 12 months.

"We want to preserve a stable situation," Mr Vagnorius said in a telephone interview. "Next year we will start plans to strengthen the central bank, but any exit from the current arrangement would be gradual and not done before 12 months from now."

His comments are aimed at easing investor concerns about an imminent devaluation of the litas, which the currency board currently pegs at four to one US dollar.

Mr Vagnorius said the Homeland Union would "deepen" privatisation efforts through "open public sales with no restrictions on foreign participation".

Analysts in Vilnius, the capital, are confident that the coalition can form a new government quickly when parliament reconvenes in two weeks.

Mr Landsbergis, a sardonic 65-year-old, is expected to become speaker of parliament, a possible launch pad for a presidential attempt in two years.

He lost his position as head of state in 1992 when the ex-communist Lithuanian Democratic Labour party (LDLP) swept his party out of office after only a year in power. In the new parliament, the LDLP will hold only 12 seats.

The Homeland Union, which benefited from low turnout in both rounds of voting, still faces a difficult task in dispelling the lingering concerns about its ability to manage the economy.

An International Monetary Fund official in Vilnius said that the IMF had received assurances from Mr Vagnorius after the first round of voting that a currency board would remain the "linchpin" of the current $200m loan that expires next September.

The new government will be watched for any departure from the tight monetary and budget policies pursued by the LDLP, which the Fund expects to keep inflation below 20 per cent this year and produce 4.5 per cent growth in 1997.

Centre-right claims victory in Slovenia polls

By Jack Grimston in Ljubljana

Centre-right parties have claimed victory in Sunday's parliamentary elections in Slovenia, saying that only poll fraud prevented them from securing an absolute majority.

However, provisional results announced yesterday morning enabled Mr Janez Drnovsek, the prime minister, to claim he had a mandate to form a government. His centre-left Liberal Democracy of Slovenia party (LDS) was in the lead with 27.8 per cent of the vote, in a turnout of 72 per cent.

But a coalition of three centre-right parties called Slovenian Spring looked set to win 44 seats in the 90-member National Assembly. The Slovenian People's party (SLS) won 19.6 per cent of the vote; the Social Democrats (SDS) 16 per cent and the Christian Democrats, at present in a coalition government with the LDS, took 9.5 per cent.

In a statement yesterday afternoon, the leaders of Slovenian Spring alleged a number of "serious irregularities". It claimed propaganda for the ex-Communist United List of Social Democrats had been distributed with ballot papers in the Divaca constituency, near the Italian border. In addition, the three leaders said Slovenians living abroad had not been given enough time to send in their votes.

An SLS official also claimed a "very suspicious swing" early yesterday could deprive her party of one projected seat.

The parties are calling for the official confirmation date of the results, scheduled for November 15, to be put back by a week. The country's electoral commission hopes to avoid a delay.

The president, Mr Milan Kucan, will ask one of the party leaders to form a new government after the results are declared official. The prime minister was quick to claim victory on Sunday night, telling state television: "It would be normal for us, as the largest party, to be asked to form a government."

But with projections giving him only 26 seats, Mr Drnovsek will need the support of at least one of the "Spring" parties. Statements from their three leaders yesterday indicated their own priority was to form a coalition by themselves, if necessary with the support of one smaller party.

LEGAL NOTICES

In the High Court of Justice No 005452 of 1996 Chancery Division

IN THE MATTER OF BURFORD HOLDINGS PLC

and

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division, on 30th October 1996 for the confirmation of the reduction of share capital, the sanction of a Scheme of Arrangement and reduction of the share premium account of the above named Company by £25,445,868.

AND NOTICE is further given that the said Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 20th day of November 1996.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital and reduction of share premium account should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 12th day of November 1996

CLIFFORD CHANCE

200 Aldersgate Street, London EC1A 4JJ

Ref KO

Solicitors to the Company

In the High Court of Justice No 00619 of 1996 Chancery Division

IN THE MATTER OF CENTRONIC LIMITED

and

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division, on 28th October 1996 for the confirmation of the reduction of the share capital of the above named Company from £8,833,424 to £2,590,424.

AND NOTICE is further given that the said Petition is directed to be heard before the Registrar of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 20th day of November 1996.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 12th day of November 1996

CLIFFORD CHANCE

200 Aldersgate Street, London EC1A 4JJ

Ref: KO

Solicitors to the Company

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exch. rate	Effective exch. rate
1985	279.8	−174.2	−163.0	0.7623	100.0
1986	231.0	−140.8	−153.4	0.9836	81.4
1987	220.2	−131.8	−144.1	1.1541	71.9
1988	272.5	−100.2	−107.4	1.1833	67.0
1989	330.2	−98.3	−94.3	1.1017	70.0
1990	309.0	−79.3	−72.7	1.2745	66.7
1991	340.5	−53.5	−6.0	1.2391	65.7
1992	345.9	−65.2	−47.5	1.2957	64.4
1993	397.3	−98.7	−85.4	1.1705	66.3
1994	432.3	−127.0	−125.2	1.1857	65.1
1995	452.3	−122.8	−114.6	1.2928	61.2
3rd qtr.1995	113.0	−30.5	−28.9	1.3020	61.0
4th qtr.1995	117.7	−26.9	−23.6	1.2897	62.3
1st qtr.1996	121.2	−30.6	−27.7	1.2570	63.7
2nd qtr.1996	126.2	−32.6	−31.4	1.2362	64.6
October 1995	38.8	−9.2	n.a.	1.2977	61.9
November	39.0	−8.7	n.a.	1.2954	62.2
December	39.9	−9.1	n.a.	1.2758	62.7
January 1996	39.1	−11.5	n.a.	1.2634	63.6
February	41.2	−9.3	n.a.	1.2536	63.8
March	41.0	−9.8	n.a.	1.2541	63.8
April	41.6	−10.5	n.a.	1.2421	64.3
May	42.8	−11.7	n.a.	1.2282	64.6
June	41.9	−10.4	n.a.	1.2383	64.8
July	40.0	−12.4	n.a.	1.2563	64.6
August	41.0	−11.7	n.a.	1.2688	64.1
September			n.a.	1.2587	64.7

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	228.2	73.5	64.5	180.50	100.0
1986	208.9	94.2	87.2	165.11	127.7
1987	194.7	83.7	75.5	166.58	138.8
1988	218.7	79.8	67.0	151.51	153.7
1989	245.5	70.6	53.4	151.87	147.0
1990	220.0	50.0	28.5	183.94	132.5
1991	249.4	77.7	57.4	166.44	143.7
1992	256.6	96.2	88.7	164.05	150.7
1993	300.4	118.6	112.5	130.31	181.0
1994	325.1	121.9	110.6	120.99	194.9
1995	331.3	101.4	85.5	121.43	204.8
3rd qtr.1995	82.8	25.2	23.0	122.36	203.7
4th qtr.1995	80.3	22.0	17.8	130.87	187.8
1st qtr.1996	78.6	16.9	12.2	132.92	182.0
2nd qtr.1996	81.7	16.1	12.2	132.90	180.8
October 1995	26.0	6.2	4.8	130.78	188.8
November	27.1	8.3	7.0	131.98	186.8
December	27.2	7.5	6.0	129.85	187.9
January 1996	25.5	5.6	4.3	133.43	182.1
February	27.1	4.3	3.4	132.49	182.1
March	26.1	7.0	4.5	132.84	181.9
April	26.5	3.7	2.8	133.12	180.7
May	28.7	5.8	4.6	130.67	183.1
June	26.5	6.6	4.8	134.91	178.2
July	26.7	4.8	4.8	137.21	176.8
August	26.6	6.5	6.4	136.84	178.2
September	25.3	5.1	3.8	138.24	175.7

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	*242.7*	*33.0*	*22.5*	*2.2260*	*100.0*
1986	*248.5*	*53.3*	*41.3*	*2.1279*	*108.6*
1987	*254.4*	*56.7*	*40.0*	*2.0710*	*114.9*
1988	*272.6*	*61.4*	*41.9*	*2.0739*	*114.1*
1989	*310.1*	*65.2*	*52.0*	*2.0681*	*113.3*
1990	323.8	51.7	38.3	2.0537	118.1
1991	327.5	11.1	−14.6	2.0480	117.1
1992	330.9	16.8	−15.0	2.0187	120.6
1993	325.2	30.6	−11.6	1.9337	125.3
1994	360.0	37.4	−16.6	1.9198	125.6
1995	395.0	49.1	−13.0	1.8509	132.1
3rd qtr.1995	99.5	12.1	−6.6	1.8624	131.7
4th qtr.1995	100.7	12.9	−4.2	1.8365	132.3
1st qtr.1996	100.2	12.4	−2.0	1.8455	130.6
2nd qtr.1996	99.7	11.7	−2.7	1.8821	128.2
October 1995	33.5	4.0	−2.3	1.8357	132.9
November	33.7	5.3	0.4	1.8363	132.4
December	33.6	3.6	−2.2	1.8374	131.6
January 1996	33.4	3.4	−2.4	1.8460	131.0
February	33.6	5.0	0.8	1.8377	130.8
March	33.2	3.9	−0.3	1.8528	130.1
April	33.3	4.5	−0.3	1.8715	129.0
May	32.8	4.5	−1.3	1.8826	127.7
June	33.6	2.7	−1.1	1.8921	127.8
July	35.4	5.5	−2.6	1.8898	128.5
August	35.0	4.6	−2.4	1.8808	129.2
September				1.8957	128.3

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exch. rate	Effective exch. rate
1985	133.4	−3.7	−0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.7
1987	128.3	−4.6	−3.7	6.9265	102.7
1988	141.9	−4.7	−3.4	7.0354	100.6
1989	162.9	−8.3	−3.6	7.0169	99.6
1990	170.1	−7.2	−7.2	6.9202	103.8
1991	175.4	−4.2	−4.9	6.9643	102.1
1992	182.5	4.5	2.9	6.8420	105.4
1993	179.8	13.3	8.0	6.6281	109.1
1994	198.8	12.9	5.4	6.5659	110.1
1995	222.1	15.9	12.6	6.4460	113.4
3rd qtr.1995	55.2	3.2	0.9	6.4363	114.0
4th qtr.1995	56.2	4.2	2.4	6.3560	114.3
1st qtr.1996	58.0	4.7	6.1	6.3281	113.9
2nd qtr.1996	56.2	3.8	3.1	6.3772	113.4
October 1995	18.5	1.1	0.6	6.4104	113.6
November	18.9	1.9	1.4	6.3308	114.8
December	18.7	1.1	0.4	6.3269	114.4
January 1996	19.2	1.3	2.5	6.3221	114.4
February	18.9	1.6	1.7	6.3189	113.7
March	19.9	1.8	2.0	6.3434	113.7
April	18.5	0.5	0.7	6.3499	113.9
May	19.3	1.8	1.1	6.3707	113.3
June	18.5	1.5	1.3	6.4121	113.0
July	18.9	1.5	0.0	6.3965	113.7
August	19.5	2.2		6.4231	113.2
September				6.4532	112.8

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−6.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	101.0	−7.7	−2.1	1494.3	101.1
1988	106.3	−8.9	−8.0	1536.8	97.7
1989	127.8	−11.3	−17.0	1509.2	98.6
1990	133.6	−9.3	−18.0	1523.2	100.1
1991	137.0	−10.5	−17.7	1531.3	98.7
1992	137.9	−8.0	−21.5	1591.5	95.8
1993	144.9	18.1	9.7	1836.7	80.5
1994	161.4	18.8	13.1	1908.6	77.0
1995	179.8	22.0	20.1	2106.4	69.4
3rd qtr.1995	43.8	7.1	7.1	2096.4	70.0
4th qtr.1995	49.3	6.0	5.0	2061.0	70.4
1st qtr.1996	47.8	4.8	−1.2	1976.7	73.2
2nd qtr.1996	51.6	9.8	10.7	1922.3	75.9
October 1995	16.4	2.1	2.1	2084.7	69.8
November	16.3	2.0	1.0	2064.8	70.3
December	16.6	1.9	2.0	2033.6	71.1
January 1996	13.6	0.1	−1.1	2001.4	72.4
February	16.3	2.1	1.2	1969.6	73.3
March	18.0	2.7	−1.3	1959.1	74.0
April	16.2	2.3	2.4	1944.9	74.8
May	18.1	3.9	4.0	1912.2	76.2
June	17.4	3.7	4.3	1909.8	78.8
July	19.7	6.3	2.7	1918.1	76.8
August	11.9	3.5	5.4	1923.8	76.4
September				1913.2	77.0

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	−5.7	3.8	0.5890	100.0
1986	108.3	−14.2	−1.3	0.6708	91.1
1987	112.3	−16.4	−6.8	0.7047	89.3
1988	120.9	−32.3	−24.8	0.6643	94.7
1989	137.0	−36.7	−33.3	0.6728	91.9
1990	142.3	−26.3	−26.2	0.7150	89.8
1991	147.7	−14.7	−11.4	0.7002	90.5
1992	145.9	−17.8	−13.8	0.7359	87.1
1993	156.0	−17.2	−13.8	0.7780	79.9
1994	174.1	−14.0	−3.1	0.7736	80.1
1995	186.0	−14.2	−3.5	0.8190	76.2
3rd qtr.1995	46.8	−4.3	−1.3	0.8268	75.7
4th qtr.1995	47.4	−3.9	−1.5	0.8267	75.0
1st qtr.1996	49.1	−4.5	−1.3	0.8208	75.0
2nd qtr.1996	51.1	−4.4	0.6	0.8113	76.1
October 1995	15.4	−2.0	n.a.	0.8224	75.7
November	16.3	−0.6	n.a.	0.8291	74.8
December	15.7	−1.3	n.a.	0.8285	74.5
January 1996	16.1	−1.7	n.a.	0.8254	74.8
February	16.4	−1.7	n.a.	0.8159	75.3
March	16.6	−1.1	n.a.	0.8212	75.0
April	16.7	−1.7	n.a.	0.8201	75.2
May	17.3	−1.4	n.a.	0.8106	76.0
June	17.1	−1.4	n.a.	0.8031	77.2
July	17.1	−1.5	n.a.	0.8085	77.0
August	17.0	−0.7	n.a.	0.8185	76.1
September			n.a.	0.8070	77.4

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Dhaka to expand cellphone network

By Kasra Naji in Dhaka

The government of Bangladesh yesterday signed contracts with three private mobile phone companies, paving the way for an expansion of the country's cellular phone network.

The government hopes competition will lower telecoms charges and provide mobile phones to the general population, according to Mr Muhammad Nassim, minister of post and telecommunication.

The three companies, GrameenPhone Consortium, TM International, and Seba Telecom, were awarded licences in August after the government decided to end the monopoly of Pacific Bangladesh Telecom, a wholly owned Bangladeshi company.

The GrameenPhone Consortium, set up by the Grameen Bank, hopes to take mobile phones to remote villages where women who have been taking out small unsecured loans to start up businesses can use the phones as income-generating tools.

Bangladesh's Independence Day on March 26 next year has been set as the deadline for the three companies to start providing their GSM (Global System of Mobile Communication) services. The government hopes the number of mobile phones will be increased fivefold to about 60,000 in the first 18 months.

The GrameenPhone Consortium includes Telenor, the Norwegian state-owned telecoms company, Marubeni trading group of Japan, and Gonofone Development Corporation, a New York-based company set up by Bangladeshi expatriates. The consortium will invest $22m initially.

TM International (Bangladesh) will invest $55m in the first 18 months, government officials say. The third operator, Seba Telecom, will invest $75m.

EdF wins China's first BOT contract

By Sophie Roell in Beijing

The contract for the first wholly foreign-owned, build-operate-transfer power station in China has been been awarded to Electricité de France, the French state-owned utility and GEC Alsthom.

The project has been presented by Beijing as a model for foreign participation in China's electricity generating sector.

The western partners announced yesterday that they had signed an agreement with local authorities for the finance, construction and operation of the 700MW Laibin 'B' power project in Guangxi, southern China.

The power station will cost more than FFr3bn ($580m) to develop and will be wholly financed by foreign capital, the companies said. It will be transferred to the government after 15 years of operation.

Although China has yet to issue regulations for BOT projects, the central government has indicated that the "standardised guidelines and documentation" used in the Laibin approval process will be applied to other build-operate-transfer projects. The other projects include the Wangcheng power plant in Changsha, Hunan province; the Junshan bridge over the Yangtze at Wuhan, Hubei province, a highway project in which the Asian Development Bank is involved; and a water supply project in Chengdu, Sichuan province.

Despite a chronic electricity shortfall, foreign participation in China's power industry has been stalled by Beijing's reluctance to open its doors on terms which might be acceptable to foreign partners.

Particularly contentious have been returns for foreign equity holders and allocation of risks. Beijing has tried to limit equity returns to foreign developers and has also been reluctant to provide the guarantees against foreign exchange and some other risks required to raise bank loans.

Recently, however, some joint venture projects have gone ahead as the two sides have moved closer together. In particular, some foreign lenders have agreed to be satisfied with "letters of comfort" offered by provincial governments in lieu of bank guarantees. Developers have also reconciled themselves to lower equity returns in China compared to other developing countries in order to participate in the largest market for power in the world.

Beijing aims to boost generating capacity by 15,000MW per year between now and the year 2000. Total investment in the power sector is to reach Yn690bn ($83bn).

Burma bars EU probe despite threat to trade

By Ted Bardacke in Bangkok

Burma has refused to allow the European Commission to send a mission to investigate allegations of forced labour, increasing the likelihood that the Commission will seek to revoke Burma's special trade privileges under the Generalised System of Preferences (GSP).

The European Union's request was made after the Commission studied detailed claims by labour and human rights groups that Burma's military regime forces the population to work on government projects and act as porters for the military. The trade privileges are vital for Burma's largest manufacturing export, textiles.

The Burmese government said that as "forced labour did not exist" in Burma such a mission was not needed.

The move on GSP requires ratification from European economy ministers, several of whom have been reluctant to link trade with issues of labour conditions and environmental protection.

But with further investigation impossible and in the wake of last weekend's mob attack on a motorcade carrying democracy activist Ms Aung San Suu Kyi, pressure on the commissioner responsible for the region, Mr Manuel Marin, to place the issue before the ministers will increase, diplomats said.

Ms Suu Kyi was unhurt in the incident, thus making it unlikely that the attack would trigger economic sanctions from US President Bill Clinton, who is authorised to do so if Ms Suu Kyi is physically harmed or arrested. Nevertheless, the US expressed its "outrage" at the attack under circumstances it described as "extremely disturbing".

Both the US and the EU have imposed largely symbolic bans on visas for Burmese authorities.

● Total of France yesterday defended its record on human rights in Burma and said its plans for gas production there should be seen as benefiting the country as a whole.

Total executives were speaking after two European parliament members who had just visited Burma said they would press for an end to European investment there. They brought back a videotape interview with Ms Suu Kyi in which she criticised Total and accused France of putting Total's interests above those of Burma's people.

Baroness Denton: additional revenue to Northern Ireland economy of £27m in first three years

Shamrock isle turns new leaf

By John Murray Brown in Dublin

The shamrock, long the symbol of the Irish tourism industry, was repackaged yesterday as part of a I£32m ($53m) campaign aimed at promoting Ireland as an "emotional experience".

From December, the strains of the Cranberries rock band will accompany television advertisements in Europe and the US by Bord Fáilte, the Irish tourist board, and the Northern Ireland Tourist Board.

The move is aimed at attracting a higher-spending tourist, and follows an 18-month survey of the sector, Ireland's leading industry with earnings of I£2.25bn in 1995.

Ireland, Europe's fastest growing holiday destination, saw a 15 per cent growth in revenues last year, against an EU average of 2.3 per cent. Since 1988, the industry has accounted for one out of three new jobs in the economy.

"It's like a night club that's full. We have had to decide which markets we are going to spend the money on," said Mr Noel Toolan, director of marketing at Bord Fáilte.

This is the first joint promotion by the tourist boards, north and south, and comes amid criticism from Protestant unionists in Northern Ireland that it represents a bridgehead for further all-Ireland bodies.

Northern Ireland economy minister Baroness Denton said the benefits to the province would be considerable. "We estimate the potential additional revenue in the region of £27m ($44.5m) in the next three years alone," she said.

The refashioned logo depicts two people embracing and exchanging the three-leafed shamrock plant.

However, the industry has stuck with Ireland's bucolic image. It stresses the attractions of the public house, traditional music and outdoor pursuits.

Said one official: "Americans are obsessed with a good shower, the Germans want something spiritual, the French are interested in food and the British just want a good time."

WORLD TRADE NEWS DIGEST

Australia to buy 40 Hawks

The Australian Defence Force has selected the British Aerospace Hawk as its new fighter training aircraft in a deal worth £1bn ($1.63bn) over 25 years. BAe won the contract to supply 40 Hawks in competition with McDonnell Douglas of the US and Aermacchi of Italy. Australia rejected the McDonnell Douglas bid to supply T-45 Goshawk aircraft in September. The Hawk was chosen in preference to the Italian Macchi aircraft.

The first 12 Hawks will be built in the UK for delivery by the end of the decade. The remainder will be assembled in Australia by BAe's local subsidiary, in collaboration with Australian companies.

The Australians will pay about half of the £1bn for the initial purchase of the aircraft. The remainder will come from the provision by BAe of maintenance services and spare parts. The aircraft will have a customised cockpit to prepare pilots to fly the McDonnell Douglas F/A-18 aircraft. The Hawk will replace the Australian air force's Macchi jets. The air force bought 87 Macchis, the first of which entered service in 1968. BAe has sold 700 Hawks to 15 air forces.

Michael Skapinker, Aerospace Correspondent

■ Pirelli of Italy plans to establish a joint venture tyre plant in Changchun, Jilin province, with an annual output of 1.5m, the official Xinhua news agency said yesterday. *AFX, Asia*

■ Weir Pumps of Scotland has won a £1.2m order to supply main and auxiliary pumping equipment to a combined cycle power plant in Chile, its first in the region. *Foreign Staff*

Jordan and Iraq agree trade deal

Jordan and Iraq have agreed to increase their trade over the winter to meet sanctions-hit Baghdad's urgent food requirements and to cover extra heating needs in Jordan.

The official Petra news agency said Jordan had pledged to supply Iraq with $35m worth of goods in addition to the $200m agreed in a 1996 trade protocol.

The extra supplies, mainly food and detergents exempt from UN trade sanctions imposed on Baghdad after its 1990 invasion of Kuwait, would count as an advance against next year's trade protocol, the value of which has yet to be fixed.

Reuter, Amman

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for November 15 1996 to December 14 1996 (October 15 1996 to November 14 1996 in brackets).

D-Mark	6.10 (6.18)
Ecu	5.80 (6.24)
French franc	6.10 (6.45)
Guilder	
up to 5 years	5.60 (5.65)
5 to 8.5 years	6.40 (6.45)
more than 8.5 years	7.25 (7.30)
Italian lira	7.49 (8.29)
Yen	2.50 (2.80)
Peseta	8.02 (8.90)
Sterling	8.02 (8.21)
Swiss franc	n/a (4.93)
US dollar for credits	
up to 5 years	7.08 (7.41)
5 to 8.5 years	7.27 (7.60)
over 8.5 years	7.42 (7.73)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

MIDDLE EAST ECONOMIC CONFERENCE

Israeli manager seized in Cairo

By Sean Evers and David Gardner in Cairo and Avi Machlis in Jerusalem

CAIRO '96

An Israeli businessman involved in a rare joint venture in Egypt has been abducted in Cairo. The kidnapping happened on the eve of the third Middle East economic conference, designed to promote cross-border business ties between Arabs and Israelis.

Mr Azam Azam, 35, technical manager of Tefron Egypt Textiles, was seized outside his hotel last Wednesday by up to 10 well dressed men in two cars, according to his brother, Mr Wafa Azam, Tefron Egypt's manager.

The abducted man is an Israeli citizen of Druze origin, a small Arab minority in Israel, who comes from a village in the Galilee. He has been employed by Tefron since 1989.

Two other Israeli employees who were with Mr Azam Azam at the time of the abduction, said the kidnappers had first asked for the technical manager by name and demanded to see his passport before taking him away.

Al-Hayat, a leading Arabic daily newspaper based in London, reported yesterday that Mr Azam was taken by agents of the Mukhabarat, the Egyptian intelligence service, on suspicion of spying for Mossad, the Israeli intelligence service.

However, Egypt's interior ministry said it had "no information about the case", and one Egyptian minister said he would be surprised if the report was true as the subject did not come up at yesterday's cabinet meeting.

Egypt's state information service, held out the prospect of a statement from the interior ministry late last night, but declined to provide any information on what the statement might contain.

In a statement, Israel's foreign ministry said it had appealed to the Egyptian government to help find the missing man, and Mr David Levy, Israel's foreign minister, would personally take up the case while in Cairo for the Middle East economic conference.

Tefron, an Israeli underwear exporter with sales of $30m in the first six months of 1996, initiated a joint venture with an Egyptian company to establish a plant in Cairo earlier this year.

The Cairo production facility began operating in June and employs approximately 200 Egyptian workers and four Israeli managers.

A Tefron spokesman said the company had plans to expand its plant by investing $20m in 1997, leading to the creation of 300 jobs.

He said charges that Mr Azam Azam was a Mossad agent were "ridiculous" and, until his abduction, Tefron had had no problems with its joint venture.

Mr Wafa Azam said Tefron had full order books for the next five years and that it was directing a large part of its exports towards Playtex in the US.

He said: "It's a very good business and we have made some very good friends here."

Big rise in Mideast investment urged

Middle East and North Africa need domestic economic reform, IMF report says

By David Gardner in Cairo

The Middle East and North Africa (Mena) economies must drastically increase the level and quality of investment if they are to get anything like the growth they need to employ their fast-growing populations, the International Monetary Fund said in a report yesterday.

Coming on the eve of the third Mena economic summit in Cairo, the IMF report said domestic economic reforms must be deepened, as the region could not rely on favourable external conditions to sustain high growth and macroeconomic stability. The dampening effect of the stalled Arab-Israeli peace process further strengthened the case for internal reform leading towards greater integration with the international economy and sub-regional integration.

The IMF noted that in 1980-95, per capita growth in Mena countries fell by an average 0.5 per cent a year, while it rose in all developing countries by 2.7 per cent. This year, the Fund expects average regional gross domestic product to grow 4 per cent, against 2 per cent in 1993-95, giving marginally positive per capita growth.

It offered two different sets of reasons for the improvement: an average halving of budget deficits, the lowest inflation rates for a decade at an average 12 per cent, region-wide moves towards structural reform and consequential strengthening of the balance of payments through improved private capital inflows, on the one hand; higher oil prices and the end to drought in North Africa on the other.

"The region cannot and should not depend on favourable external factors to sustain a high growth rate and further improve financial balances. Domestic policies will have to take the lead," the Fund concluded.

Overall investment, averaging just over 20 per cent of GDP, is well below the developing country average of 24 per cent or the Asian ratio of 30 per cent. Its mix, moreover, is still skewed towards public investment, lowering capital efficiency, crowding out the private sector and discouraging foreign investors.

"Consistent with low levels of private sector investment," the report said, "the ratio of foreign direct investment in the Mena region has ranged between 0.5 per cent and 0.75 per cent of GDP – rates that are significantly below those in fast-growing developing countries."

The IMF therefore called for faster privatisation and deregulation; intensified fiscal reform, deficit cutting and better spending in areas such as education and health; measures to boost private savings through financial and capital market reforms; and much deeper trade liberalisation.

The Fund stressed that those countries which had followed macroeconomic stabilisation with the most commitment to structural reform and more open trade – Tunisia, Jordan, Morocco, and now Egypt, which signed a new IMF accord last month – were doing best in per capita growth, job creation, low inflation and poverty alleviation.

While Fund officials have praised the first three countries, they believe Egypt, with its much larger economy and population, has the weight to swing the debate in the region decisively in favour of reform. One senior IMF official said the critical issue was to start an inflow of foreign direct investment: "Only then will you know whether the reforms have taken root."

Crucial to these prospects was a breaking down of the region's trade barriers. Intra-regional trade is a paltry 8 per cent of the total. As another index of the lack of regional or global integration, per capita exports from Mena countries between 1990 and 1995 declined by 5 per cent, while growing 20 per cent for developing countries and 10 per cent for industrial nations.

Harare and IMF at odds on loan facility

By Tony Hawkins in Harare

Mr Michael Nowak, leader of the International Monetary Fund mission to Zimbabwe, yesterday ruled out a new programme with Harare for the current fiscal year ending June 1997.

Zimbabwe's enhanced structural adjustment facility with the IMF fell away early last year after Harare failed to meet agreed public spending and budget deficit targets. Describing the 1996-97 budget deficit target of 8.5 per cent of gross domestic product as "simply too high", Mr Nowak said it was "not really feasible" to reach agreement on a new programme during the current fiscal year.

The government's 26 per cent civil service pay award in August and last month's reinstatement of the annual bonus for public servants, abolished last year, had "exacerbated the bottom line" of the budget.

Economists in Harare put the cost of these awards at over Z$2.5bn ($235m) or 3 per cent of GDP, lifting the prospective budget deficit to 11.5 per cent of GDP.

The message from the Fund is that the government must reform the public sector. Yet just how difficult the government is finding this was underlined shortly after the IMF's news conference, when police used batons and tear gas to break up a march by about 100 trade unionists demonstrating in support of striking doctors and nurses.

Mr Morgan Tsvangirai, general secretary of the Zimbabwe Congress of Trade Unions (ZCTU) and his deputy were arrested as the government toughened its stand against the strikers who have disrupted medical services at state hospitals, especially in Harare.

The ZCTU, which organised the abortive midday demonstration, is threatening to call a national general strike.

Industrialists warn that the clampdown on yesterday's peaceful demonstration could provoke a sharp response from the South African Congress of Trade Unions (Cosatu).

They fear Cosatu could use Harare's heavy-handed treatment of the unions as a justification for delaying the new trade pact between the two countries that will give some Zimbabwe exports, including clothing, textiles and footwear, preferential entry to the South African market.

Mr Nowak sided with critics of the sale of a 51 per cent stake in Hwange thermal power station to a Malaysian Group, YTL, calling for accountability and transparency in the country's on-off privatisation programme.

Supplies reach east Zaire

By Antony Goldman in Kigali and Michela Wrong in Nairobi

International aid agencies delivered food and medical supplies to east Zaire yesterday for the first time since rebel forces annexed the area last month, ending a two-day stand-off between the United Nations High Commissioner for Refugees and the guerrillas.

But prospects for international military intervention continued to recede, despite a renewed call by Mrs Emma Bonino, European Union commissioner, for the urgent despatch of a UN force. "We are against the re-establishment of refugee camps inside Zaire. But at the same time we need to find these refugees and send them back home, but to do this we need a military force to open up corridors for them," she said.

Britain and the US, however, expressed reservations. "If there is to be a military operation it must be carefully planned, it must have clear objectives and there must be an exit strategy," Mr Michael Portillo, the UK defence secretary, said.

Although Mr Hervé de Charette, the French foreign minister, sought yesterday to play down reports of Franco-American differences over the Zaire refugee crisis, Paris has so far been unable to win support from Washington for its call for a 5,000-strong intervention force.

While the deliveries yesterday constituted the first step in the establishment of humanitarian corridors being called for by the UN, they are unlikely to reach any of the million Hutu refugees trapped by fighting between the Zairean rebels and exiled Rwandan extremists.

The supplies were taken to a sports stadium for distribution to hospitals in Goma, crammed with the victims of the last few weeks' fighting.

But until the question of security can be settled, no aid will get to the hundreds of thousands of Hutu refugees trapped in the camp of Mugunga, on the outskirts of Goma, or trekking deeper west into Zaire.

Continued shelling of Goma by the *interahamwe* militiamen and former Rwandan soldiers in Mugunga has merely highlighted the difficulties of trying to help the refugees without first neutralising the hardliners' hold on the refugee population.

Rise in child labour to 250m

By Frances Williams in Geneva

About 250m children* are working in developing countries, nearly twice previous estimates, according to a report published today by the International Labour Organisation.*

The ILO argues that, given the scale of the problem, the immediate target for action must be the most abusive forms of child labour, such as slavery, debt bondage, child prostitution, hazardous work and the very young.

While it will take years to eliminate child labour completely, "there are some forms of child labour today which are intolerable by any standard", Mr Michel Hansenne, ILO director-general, said in the report.

An ILO survey published earlier this year estimated that 73m children aged between 10 and 14 were working full-time in 100 countries. The new estimates suggest that 120m children of five years and upwards are working full-time, and another 130m are working part-time.

Though most working children – nearly 153m – are in Asia, the highest incidence is found in Africa where 40 per cent of all children work. Some 17.5m child workers live in Latin America. Child labour also exists in industrialised countries, including the US, Britain, Italy and Portugal, and is growing in eastern European countries making the painful transition from communism to a market economy.

The report documents many examples of children doing dangerous work that puts them at risk of death, crippling accidents, disease, poisoning and sexual abuse. An ILO survey in the Philippines found that more than 60 per cent of working children were exposed to chemical and biological hazards, and 40 per cent experienced serious injuries or illnesses.

In domestic service, which employs mostly girls, surveys have uncovered "alarming evidence of physical, mental and sexual abuse".

Child Labour: Targeting the Intolerable. Available from ILO Publications, CH-1211 Geneva 22, SFr15.

Laden down: a young boy is put to work in a New Delhi brickyard, one of millions of child labourers worldwide

Gulf states hail US policy review

Robin Allen on think-tanks to reconsider 'dual containment' of Iran and Iraq

Two think-tanks are reviewing US relations with Iran and the Gulf states, according to senior officials in Washington. The reviews, which have been urged by senior members of the US administration, will be welcomed by Gulf states and US business.

The initiative follows sustained criticism from Gulf states and other countries of what is perceived to be the lack of coherent US strategy in the wider Gulf area.

"US policy has created an imbalance of power in the Gulf to the advantage of Iran," according to a senior Abu Dhabi official. "The US-led sanctions against Iraq have left Saddam Hussein in power. Worse, they are nourishing a hatred among Iraqi people against the Gulf states and the whole world."

Other Gulf states, notably Oman, Qatar and Dubai, have been out of step with Washington's policy of treating Iran as a pariah state.

The purpose of the think-tanks is to suggest adjustments to a Gulf policy based on "dual containment" of Iran and Iraq and the isolation of both states. It is also to improve the quality of communication with Gulf states in mapping out a long-term regional policy.

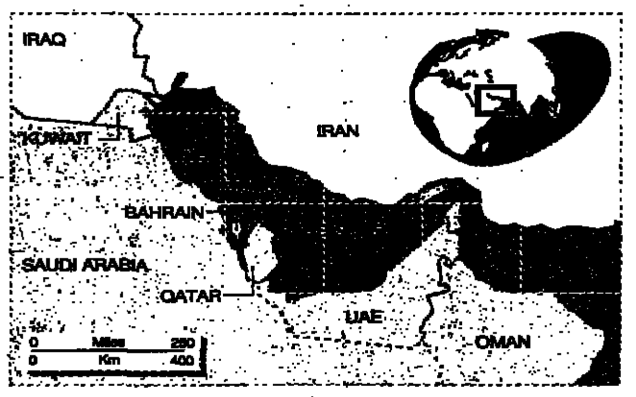
Both US and Gulf critics point to the missile attack by the US last September on targets in southern Iraq and the unilateral extension of the no-fly zone in southern Iraq as examples of what they call Washington's "loose-canon" approach to both Iraq and Iran.

"Confrontation with Iran and Iraq has had very meagre results," a US official acknowledged. "US sanctions against Iran have not met with co-operation from the US's trading partners." There are "significant differences between the US and its allies over how to deal with the regime in Tehran".

The first think-tank, under Mr Geoffrey Kemp, director of regional and strategic programmes at the Nixon Centre for Peace & Freedom and a former National Security Council director for the Middle East under President Ronald Reagan, is "to bring together 30 specialists to think through relations with Iran".

The second group, under Mr Richard Murphy, senior fellow at the New York-based Council on Foreign Relations, is to "re-evaluate relations with the Gulf states – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates – within the framework of existing security arrangements," according to a US official.

Public hints that the US was taking a second look at its previously stated policy of "isolating Iran" came at the end of last month when Mr Robert Pelletreau, assistant secretary of state, said on a visit to the Gulf that he was hopeful the US would begin a dialogue with Iran within the next four years if President Clinton was re-elected.



Mr Ali Akbar Velayati, the Iranian foreign minister, responded openly to the possibility of dialogue on Sunday. "If they [the US] send a message to us through their interest section [at the Swiss embassy], it will not remain unanswered," he said.

For many Gulf states, any US-Iran dialogue would be a welcome departure from the existing policy. Sheikh Ali Al-Sabah, a senior member of Kuwait's ruling family and former interior minister, said recently: "We want to stay friends with Iran, not because we like them, but because we must. Iran is our neighbour and we want them to know we do not seek any conflict with them."

Similar sentiments are expressed in Qatar, whose giant North Field gas field lies adjacent to Iran's South Pars structure. Bahrain and Saudi Arabia take a more jaundiced view of Iran, closer to that of Abu Dhabi, where senior officials have made clear concern over Iran's continuing occupation of Gulf islands claimed by the UAE.

Dubai, however, the second richest of the UAE's seven emirates and the region's leading air-cargo hub and services centre, regards Iran as a source of lucrative barter, re-export and transit business both for goods destined for Iran and, increasingly, for the central Asian states.

It is the extra-territorial provisions of the US sanctions law on Iran which evoke the greatest scepticism in Gulf states. A senior US official said: "Our goal is not to harm the companies of our friends and allies. It is to deter them from investing in Iran in the first place by making them choose between their interests in Iran and the US."

But Gulf businessmen do not accept this, nor the possibility that US customs inspectors may one day scrutinise their bills-of-lading.

Some diplomats agree. "No country, in the Gulf or anywhere else, wants to be pushed around and told by the US who it can and cannot do business with," a European diplomat said.

Gulf officials also talk privately of their concern at "some incident or accident" between US and Iranian naval forces in the Gulf which could trigger a regional crisis.

"It happened during the Iran-Iraq war," said one senior Gulf diplomat, "and it could happen again."

Gulf states are hoping the Kemp and Murphy reports will signal the start of an improved dialogue with the US – which alone, they acknowledge, is their ultimate guarantor against external aggression.

Finance technocrat outlines plans for lasting economic reform

Sick Pakistan's doctor arrives

Pakistan's *de facto* finance minister has just three months to make a mark on the country's sick economy. But Mr Javed Burki has been here before. In 1993 he advised the interim administration that was set up the last time Pakistan's politicians were fired for mismanaging the country.

Armed with lessons learnt then, Mr Burki, who is on leave from the World Bank, is confident he can manage a transformation before new elections scheduled for February.

"I understand this economy," says the man who advised the interim administration of Mr Moeen Qureshi, another World Bank technocrat, in 1993. "I can turn it around."

He has wasted little time starting. Within 36 hours of arriving in Islamabad – having already discussed additional International Monetary Fund and World Bank funding in Washington – he had mapped out a "robust" programme designed, he says, to produce lasting reforms.

"We've got to bring about a significant structural change in the economy, to save ourselves from the kind of hiccups we have every two to three years," he says.

At the same time Mr Burki has also to stage an emergency rescue programme for an economy facing both fiscal and external account crises. Government borrowing since the June budget is, at Rs60bn ($1.5bn), now three times the full-year target. The government also revealed at the weekend that last year's fiscal deficit was actually 1.3 percentage points higher than a previously announced 5 per cent of gross domestic product.

On the external account, Pakistan's reserves are just $630m. Some $600m in debt repayments are due next month. An almost sealed IMF package will bring an immediate $160m, but Mr Paul Chabrier, IMF director for the Middle East, arrives tomorrow to discuss a possible additional emergency credit.

Mr Burki, saying he would "like to see reserves go up beyond $1bn", is expecting "a favourable response" from both the Fund and the Bank for quick-disbursing funds.

The chief lessons from the Qureshi administration, Mr Burki argues, are to move fast and, more important, to try to bind successor governments to the reforms by setting them in law.

"This time we are absolutely determined to build into the reform programme provisions which would make it difficult for the next government to allow slippages."

It is a herculean task, not least because Mr Burki's reforms are aimed at the heart of Pakistan's ailing and highly politicised financial system. Among his priorities will be an attempt to clear up the banking system. State-owned banks are carrying $3bn in bad debts – many of them to influential political figures.

Mr Burki is proposing to bring in teams of international advisers to make a swift discrimination between the good and bad assets of the country's state-owned banks. The bad, he proposes, will be hived off into a Resolution Trust Corporation which, aided by new legislation, would recover what it can and, at least, spread the massive cost of winding up the bad debts over several years.

"The good banks will then become part of the .. privatisation process," he says. Mr Burki, the World Bank's vice-president for Latin America, says he will borrow from similar models of bad debt treatment garnered in Argentina, Mexico and Brazil. He says he will be seeking $400m-$500m from the Bank to support the banking reform.

This is but part of Mr Burki's agenda. He aims to "abolish, consolidate or reform" a swathe of inefficient state financing institutions, including the Industrial Development Bank of Pakistan and the Regional Development Finance Corporation – institutions, he says, which "play no purpose at all and have been massively abused in the past, carry a burden of bad debt and have to be dealt with very quickly".

In addition, he says he aims to strengthen the supervisory capacities of the State Bank of Pakistan, the central bank, while building firewalls between its regulatory and monetary management activities.

To strengthen a capital market he called "weaker than that of Bangladesh", he says he plans to strengthen the Corporate Law Authority, the market regulator, through the passage of fresh laws.

More broadly, he has already created new "task forces" to report to him by the end of the month on fiscal reform, public spending, trade and tariff reform, pension fund reforms – with a view to creating private sector institutions to deepen the capital market – distribution of taxes to the provinces and privatisation.

He has already appointed a new chairman of the privatisation commission and asked him entirely to redraw Pakistan's privatisation programme "within 72 hours". Mr Burki has already suggested he wants swift sales of two state banks, Habib Bank and United Bank Limited, but also wishes to extend privatisation to embrace infrastructure such as ports and airports. "There are no sacred cows," he says.

By mid-December, he says, the interim government will present a fully fledged "structural reform" programme, embracing his financial sector reforms, tough fiscal measures to "enforce" a fiscal deficit of 4 per cent of GDP and, he hopes, additional tariff reforms.

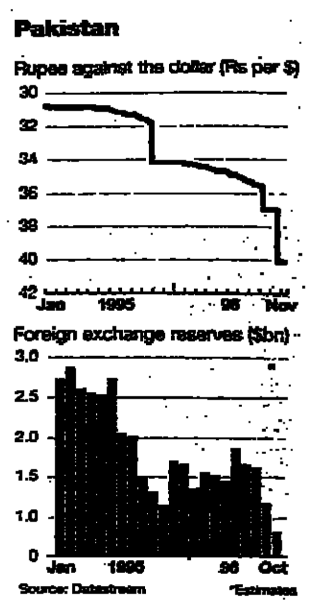
Many doubt Mr Burki can accomplish all this within three months.

"Their intentions are right," says Mr Sataj Aziz, former finance minister with the 1990-93 Muslim League government. "But I don't think it's realistic. They can start the process, but these things shouldn't be done in a hurry."

Moreover, it remains unclear – even to Mr Burki – whether he will be indeed able, as he wishes, to lock his proposed reforms into law. He bases his belief that he can on the fact that Mr Farooq Leghari, the president, has professed his "strong political will" to back reforms.

Mark Nicholson, Farhan Bokhari

The Karachi stock exchange yesterday: capital market reforms are on the way — Reuter



Standing in Thai polls is a family affair

By Ted Bardacke in Buriram

Family values have become an issue in the Thai general election. The sons, daughters, wives and siblings of scores of provincial political strongmen, discredited nationally by corruption allegations, are contesting seats in the November 17 election to preserve the value of their family's political influence.

"I didn't want my wife to run in this election but I had no choice," says Mr Newin Chidchob, fighting to defend his seat and about 10 others he controls in the poor north-eastern province of Buriram.

Mr Newin, an entertaining orator whose family earned its fortune from a government rock quarry concession, is no stranger to controversy. His company was banned from bidding on government contracts after he was accused of intimidating rival contractors.

Allegations of vote-buying damaged Mr Newin before last year's election, when his campaign workers were caught with Bt11m ($430,000) in Bt20 and Bt100 notes stapled to the candidate's picture. A court found them innocent.

The embarrassment has forced Mr Newin to put forward his wife Karuna to help restore political influence.

"Having people from the same group increases our negotiating power in government... and people feel more secure [in voting for us] knowing that they have the backing of a whole family," he says.

Although the candidates have changed, the tactics have not. Police say gunmen have killed seven electoral canvassers since campaigning began. A private poll research agency yesterday described the campaign as the most violent since the mid-1970s. It said vote buying was widespread, especially in the rural northeast.

The lame-duck prime minister, Mr Banharn Silpa-archa, ousted amid a wave of largely unproven corruption charges, is following a similar tactic. While his younger brother Chumpol, a university professor, is a leading candidate, his eldest daughter Kanchana is also defending a parliamentary post – but says she is only keeping the seat warm until her 23-year-old brother Varavuth reaches the qualifying age.

Two leading Thai politicians, Mr Narong Wongwan and Mr Vantana Asavahame, have seen their authority decline after being denied US visas for alleged links to drug smuggling, which they deny. But Mr Narong still has some influence at the interior ministry; his clean-cut son Anusorn was appointed deputy minister this year.

Mr Vantana is not so lucky with his children. One of his sons, running this year, was recently reported to have fired shots from a pistol after a traffic incident involving his Jaguar.

ASIA-PACIFIC NEWS DIGEST

Japan trade surplus falls

Japan's trade surplus is expected to pick up again after falling to its lowest level for nearly six years in the first half of this fiscal year.

The current account surplus for April to September fell 35 per cent to Y3,332bn ($29.8bn), amid continuing strong imports of oil and computers as well as an increase in spending by Japanese travelling abroad.

In manufactured goods, import growth of nearly 27 per cent continued to outpace exports, which rose just over 8 per cent. The deficit on services trade jumped 31 per cent.

Economists warned that the trade surplus had almost certainly bottomed. Customs clearance figures for the first 20 days of October showed a 22 per cent increase in the current account surplus, driven by higher exports.

Mr Yasushi Okuda, economist at BZW in Tokyo, said: "The April to September numbers are historical. If you look at October you can see the depreciation of the yen over the past year is finally feeding through to exports." *Daniel Bogler, Tokyo*

Seoul charges ex-minister

Mr Lee Yang-ho, sacked last month as South Korean defence minister, was formally charged yesterday with bribery and leaking state secrets, a prosecution official said.

Also indicted in a case that has embarrassed the military establishment of President Kim Young-sam were the former head of Daewoo Heavy Industries, part of the Daewoo Group, and two others.

Charges were dropped against the only daughter of former President Roh Tae-woo, accused of accepting diamond jewellery to gain a promotion for Mr Lee. Mr Lee was charged with taking Won150m ($181,000) as part of his share of payments to an arms dealer in connection with a military purchase of helicopters from Daewoo. He is charged with leaking classified information on helicopter purchase plans to Mr Kwon Pyong-ho, the Korean-American arms dealer.

Mr Roh Tae-woo is now appealing against a 22½ year jail sentence imposed for bribery, treason and mutiny. His predecessor, Mr Chun Doo Hwan, is trying to escape a death sentence on similar charges. *Reuter, Seoul*

Malaysia expels foreigners

Malaysia yesterday deported the 10 remaining foreign human rights activists who took part in a short-lived conference on East Timor at the weekend and freed a foreign journalist who covered the event. The conference, held ahead of today's anniversary of the 1991 killing by Indonesian troops of at least 50 demonstrators in East Timor's capital of Dili, was broken up by protestors.

Thirty-six foreign activists were expelled on Sunday, including two Roman Catholic bishops. The conference had been condemned by the government as damaging to its relations with Indonesia.

Mr Anwar Ibrahim, deputy prime minister, said the government did not sanction the actions of the group which broke up the conference, although the youths belonged to groups allied to the three main political parties in the ruling coalition of Prime Minister Mohammed Mahathir. *Reuter, Kuala Lumpur*

Labour law deal in Australia

Australia's cumbersome industrial relations system became a little simpler yesterday when the state government in Victoria agreed to cede its industrial relations powers to the federal government. Differing state and federal labour market regulations have been a long-standing problem for larger industrial companies. Yesterday's agreement "in principle" means all Victorian employees and employers will be able to access, and be covered by, federal regulations without having to cite an interstate dispute or other constitutional obstacles.

Mr John Howard, prime minister, described the industrial relations deal as an "historic first," which would "pave the way for the development of more flexible workplace agreements focusing on the needs of individual enterprises". *Nikki Tait, Sydney*

Colombo reverses dismissal

Sri Lanka has re-appointed the board of the country's main foreign and local investment regulatory authority only days after collectively dismissing it. Four of the six directors of the Board of Investment (BOI) were reappointed. The change was designed to remove the remaining two directors – a vocal director who represented private-sector interests and another from the government – whom the authorities regarded as "difficult".

Mr Patrick Amerasinghe, the private sector nominee dropped from the BOI, is the president of the private Federation of Chambers of Commerce and Industry and has been critical of the government's handling of the economy.

Mr Suren Wickremesinghe, head of the powerful Urban Development Authority, was the other man dropped. President Chandrika Kumaratunga's office denied reports that there were serious differences of opinion between the BOI and cabinet ministers *Amal Jayasinghe, Colombo*

NZ central bank chief in warning on economy

By Terry Hall in Wellington

Mr Don Brash, governor of New Zealand's Reserve Bank, yesterday warned the country's political leaders, currently hammering out a coalition government, that excessive government spending could seriously damage the economy.

Before last month's inconclusive general election, both the populist New Zealand First and opposition Labour had called for higher social spending.

Mr Brash's comments follow reports of tough bargaining between New Zealand First and the two main parties, National and Labour, both seeking its support to form a government. New Zealand First holds the balance of power. National, which has formed a caretaker government, has yielded to some demands from New Zealand First.

The three parties begin a fifth week of talks today amid rising public concern over the lack of progress in forming a new government. Mr Winston Peters, leader of New Zealand First, has said the talks could continue into the new year.

Speaking to a farmers' gathering, Mr Brash said the next administration would have less room to move because of a deterioration in the government's fiscal position this year as a result of pre-election tax cuts.

He said the widespread perception that government spending would increase under any coalition government had compelled the Reserve Bank to ensure monetary conditions remained tighter than might otherwise have been the case. As a result the New Zealand dollar has risen sharply, hurting exporters.

Mr Brash has been under intense criticism from exporters for allowing a 20 per cent rise in the value of the New Zealand dollar since 1994.

"One way of reducing the risk inherent in the present situation would be to ensure further fiscal stimulus is not added in the process of coalition-forming," he said.

He warned foreign investors against accepting "the popular wisdom that investing in New Zealand assets had become a virtually riskless exercise". It was "dangerous nonsense to assume that just because the New Zealand dollar has been rising strongly over much of the past four years it would continue to do so".

Mr Brash said he hoped international investors recognised that there was an exchange rate risk.

Vietnam plays down trade gap

By Jeremy Grant in Hanoi

Vietnam's new finance minister, Mr Nguyen Sinh Hung, yesterday sought to play down concern over the country's swelling trade deficit, saying Hanoi would not resort to overseas borrowing as a quick-fix solution to the problem.

Mr Hung, appointed in last week's cabinet reshuffle, said the gap was "not that serious, but if this trend is sustained it is dangerous".

Vietnam's cumulative trade deficit at the end of October was $3.49bn, $250m wider than at the end of the previous month. The rise was caused mostly by surging imports of consumer and capital goods, weak exports and rampant smuggling. Officials say the 1996 trade deficit is likely to hit $4bn.

The issue worries economists because it is clouding the country's overall debt picture and could threaten the sustainability of economic growth that has averaged 8.5 per cent in the last three years.

Asked whether he might be tempted to borrow abroad to finance the budget in the short-term, Mr Hung said: "No, we don't think that this would be a good idea. It is not a good way to solve budget problems, by borrowing more."

Vietnam earlier this year shelved plans for a debut on the international capital markets, but is known to have recently contacted foreign banks about reviving the plans, which would involve a $100m-$150m eurobond.

"We understand that this will be a channel for us to mobilise money from overseas, but we will only do it when we have adequate conditions," Mr Hung said.

China's markets divide deepens

Tony Walker and **Sophie Roell** on the factors behind the slump in Shanghai B-shares

Shanghai B-shares for foreign investors slumped to another record low yesterday as confidence evaporated further in China's dollar-denominated capital markets, raising questions about the country's strategy for opening its financial markets.

Shanghai-based brokers say foreign investors have lost confidence in the B-share market. They blame poor results from listed companies and lack of trading liquidity which makes it hard to sell holdings once they are built up.

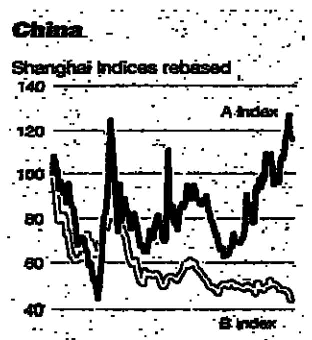
Mr Richard Graham, chief representative of Ing Barings, described as an "underlying flaw" the fact that China's market is a "house divided" into A-shares which only Chinese can buy and B-shares which are reserved, at least in theory, for foreigners. He believes Beijing should have followed Taiwan and South Korea in gradually opening the entire market to foreign investors rather than creating separate allocations for them.

While Shanghai's B-share index has plummeted by more than half to 44.86 yesterday from a record high of 105.78 in December 1993, A-shares have surged this year as the central bank has eased monetary policy. Shanghai's A-share index has doubled and Shenzen trebled, making the latter this year's best performer among Pacific Rim indices.

Domestic investment has also been spurred by the fact that there are limited alternative investment possibilities. Reductions in interest rates have made bank deposits and government bonds less attractive.

Brokers also complain the deck is stacked against investors since most listed companies, with the exception of a few joint ventures and service companies, remain under strict state control. This means at least 51 per cent of stock is effectively withheld from the market and companies continue to be run, in many cases, as political fiefs, not commercial entities.

Intense local activity – Chinese talk about "stir frying" the market – could hardly contrast more markedly with lack of international interest. Mr Jiang Dengfu, manager at Shenyin Wanguo Securities, noted that stock trading accounts nationwide passed 10m last week, but at the same time international investors were continuing to desert the market. In some cases B-shares are trading at a discount of 80 per cent to A-shares. Mr Ronald Yung, head of China research at Peregrine, the investment bank, notes even when they are the same companies, A and B shares are "totally different markets." Analysts see this disparity as providing a "buying opportunity" as they assume that in time China will be obliged to combine its A and B markets. But there is no indication of this happening soon.



Not least of many problems facing international investors is the indifferent quality of B-share companies. More substantial state-owned companies seeking foreign capital have tended to list overseas. Market capitalisation of Shanghai's B-shares totals just $1.5bn – compared with a total market capitalisation of the Shanghai bourse of Yn556bn ($67bn).

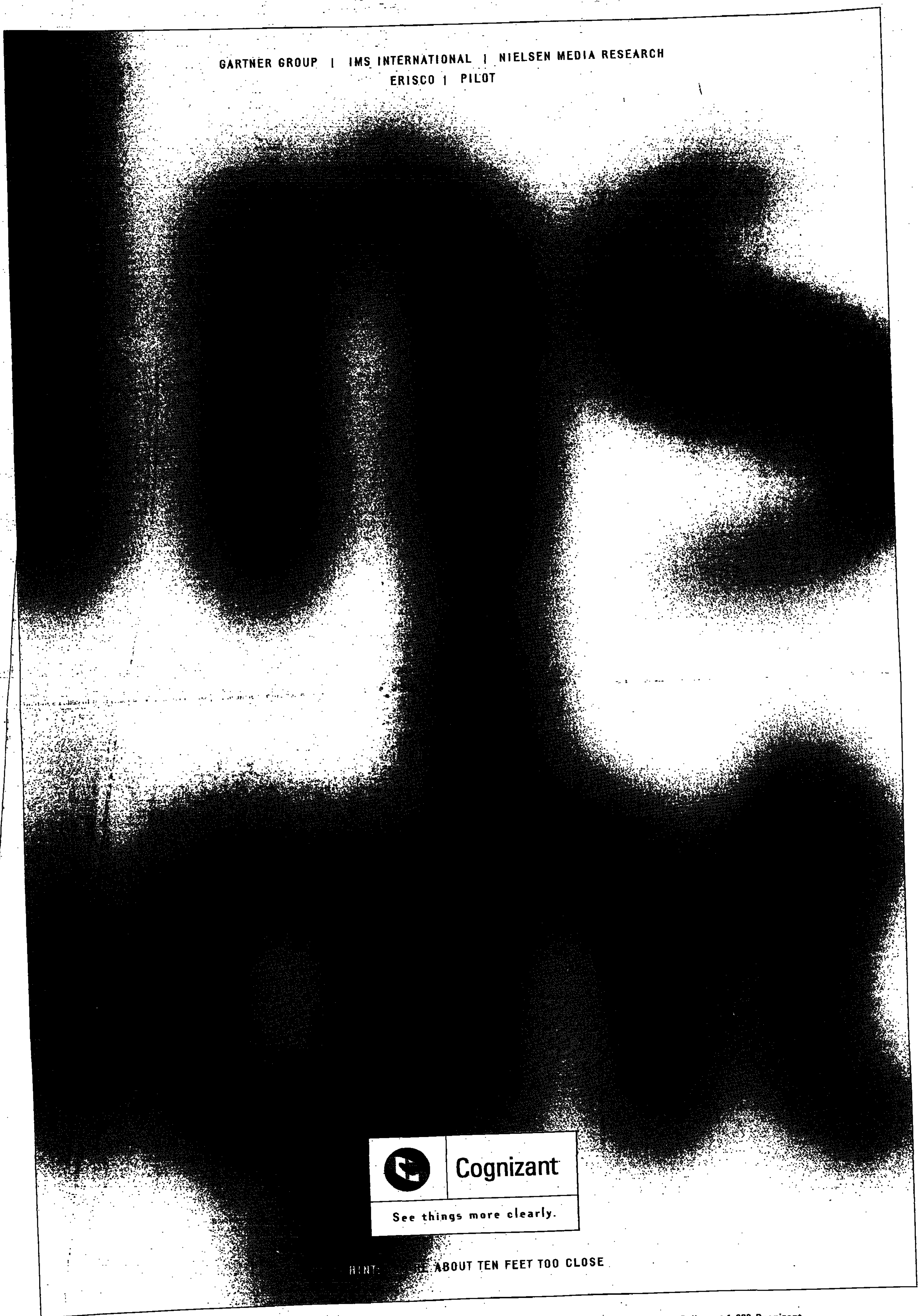
Among other possibilities for the moribund B market is a merging of B-shares with overseas-listed shares such as H-shares – mainland companies listed in Hong Kong. This could boost the market by involving Hong Kong retail investors, but there is no simple formula to bring this about.

Prospects for B-share investors appear bleak. The experiment has proved something of a damp squib. According to a broker in Shanghai yesterday, there was concern investors might leave the market altogether. Judging by the index's protracted slump, this is in danger of happening.

● Economic Daily, China's leading financial newspaper, will launch new stock market indices next month and is bidding to have its market reports achieve the same status as the FTSE 100, Dow Jones and Nikkei of Japan.

Mr Zhu Baoxian, who heads the team establishing the new indices, said he hoped that "in the future our index will become as influential" as the FTSE 100, Dow and Nikkei, "both at home and abroad". Economic Daily is taking as it base July 29 1994, when China's A-share markets for local investors hit a record low. The paper is launching four new indices, the Economic Daily 100 to capture movements of major stocks, the "39" index for largest companies, and separate indices for Shanghai and Shenzen – the two fledgling markets.

The Economic Daily indices will seek recognition as the benchmark in competition with those published by the official Xinhua news agency, the stock exchanges and Beijing university.


GARTNER GROUP | IMS INTERNATIONAL | NIELSEN MEDIA RESEARCH
ERISCO | PILOT
Cognizant
See things more clearly.
HINT:
ABOUT TEN FEET TOO CLOSE

Gingrich under pressure to step down

By Jurek Martin in Washington

Mr Newt Gingrich is coming under some pressure from his own Republican party temporarily to step down as Speaker of the House pending resolution of the ethics charges against him.

Over the weekend, Congressman Steve Largent of Oklahoma became the first elected Republican publicly to endorse this approach, previously mostly circulating in conservative publications.

"I think it's a good idea and would reduce the amount of rhetoric we would hear on the floor and allow us to work more constructively," he told a TV interview.

One moderate Republican, Mr Christopher Shays of Connecticut, also said he would not vote for Mr Gingrich to be returned as Speaker in January unless the pending House ethics committee report had been made public.

The committee's inquiry, for which an external investigator has been hired, centres on whether charitable contributions underwriting a college course he was teaching were diverted to a political pressure group, known as GOPAC, which he also ran.

Mr Gingrich was the target of heavy Democratic campaign advertising. But the result that concerns many Republicans was the narrow win gained by Congresswoman Nancy Johnson in her supposedly safe Connecticut seat. She is also head of the ethics committee and her opponent nearly beat her by simply accusing her of protecting Mr Gingrich.

That result, combined with the defeat of 13 House freshmen who had been his core supporters, a smaller Republican majority in the House and polls attesting to his unpopularity, have had their effect on the Speaker.

Since the election he has been more subdued in his public comments than some senior Republicans in the Senate encouraged by their increased majority. The consensus view in Washington is that Senator Trent Lott, the majority leader, now directs party policies far more than Mr Gingrich.

The Speaker spoke to Mr Clinton after last week's election and said afterwards the president should be given "a chance to lead". He even sat down for an hour-long meeting with Congressman Richard Gephardt, the Democratic minority leader, in their first extended private session in over a year.

Many Democrats would like to exact revenge on Mr Gingrich for having led the successful campaign to oust Congressman Jim Wright from the speakership in 1989 – also on ethics charges.

Congressman Barney Frank of Massachusetts, a permanent thorn in the Speaker's flesh, said Mr Gingrich might have changed, but only because "it's very much in his self-interest to be conciliatory".

No overt challenge has yet come from his principal Republican deputies in the House – Mr Dick Armey, the majority leader, and Mr Tom DeLay, the chief whip, both dogmatic conservatives from Texas. Both stand to gain if he steps aside, as they would have done had Mr Gingrich been obliged to fulfil a pre-election promise to resign the leadership if Republicans lost control of the House.

Colombia measures the cost of violence

Guerrillas are sapping the economy so much there is talk of all-out war, writes Sarita Kendall

Colombia's guerrilla armies represent such a drain on the economy and such a threat to regional, and perhaps national, political stability that the talk is now of all-out war.

And business, faced with the prospect of having to buy government war bonds, is taking an active part in the debate on how the war can be funded and how it should be fought.

Over the past 10 years the military and police budget has risen from 2.4 per cent to 3.5 per cent of gross domestic product and their forces have risen by 100,000 to 250,000. Spending on justice has nearly doubled to 1.2 per cent of GDP.

Yet the proportion of reported crimes resulting in a conviction has remained at 3 per cent or less and the number of guerrilla fronts has jumped from about 50 to more than 114.

At least 60 government troops have been held prisoner by the Revolutionary Armed Forces of Colombia (FARC) since the end of August, when the guerrillas showed their strength by overrunning a counter-insurgency battalion in the jungles of Caquetá. Originally hardline Communists, the FARC are now labelled the "third cartel" for their involvement in cocaine, heroin and marijuana production. FARC guerrillas in the south-east engineered mass protests, marches and skirmishes with troops by coca growers earlier this year.

ELN guerrillas prepare for patrol. They specialise in attacks on oil targets (left) Timothy Ross

Smaller than the FARC but powerful in certain areas, the National Liberation Army (ELN) specialises in targeting oil and mining infrastructure. Both guerrilla groups are steadily encroaching on the big cities, storming small towns nearby, dynamiting police posts and setting road blocks within a few miles of urban centres. Police regularly unearth caches of weapons in the capital.

The annual meeting of the National Association of Financial Institutions (ANIF), held last month, focused on violence, security and justice. They heard how kidnaps and extortion prevent farmers from visiting their properties and affect agricultural production, businessmen have to flee the country because of threats and assassinations, guerrilla assaults destroy infrastructure and transport equipment, and bank robbery and other thefts multiply security and insurance costs.

Mr Rudolf Hommes, a former finance minister, quoted a study on guerrilla finances which calculated that the main groups doubled their funding between 1991 and 1994, with the drug business contributing 34 per cent of income, extortion and robbery 26 per cent and kidnaps 23 per cent. Overall, he estimated the cost of the guerrilla and drug wars at 3 to 5 per cent of GDP a year.

The guerrilla strategy is expansion, said Mr Hommes, and if the government sits down to negotiate (as have other governments in the past), the guerrillas gain time and build up their forces. Although this kind of war could not be won outright, when negotiations began it had to be from a position of strength, he said.

Guerrillas are found in more than half of Colombia's municipalities and guerrilla-backed candidates won 55 local government elections in 1994. "But will they be satisfied with managing the town halls?" said Mr Rafael Pardo, a former defence minister, at the ANIF congress. He sees the guerrillas "accumulating financial resources and waiting for the destabilisation" that develops when there is a weak government and divided establishment.

The government has been widely criticised for not having a coherent, integrated strategy against the guerrillas, while the military are coming under pressure to explain their ineffectiveness. Into the vacuum have spread paramilitary groups, often supported by local landowners and businessmen.

Most private sector groups oppose the government's plan to raise money for the military through the compulsory purchase of war bonds because, they say, it would deepen the economic downturn and there is anyway no guarantee that the funds would be used effectively.

Mr Hommes proposed that the military budget be raised by 2.5 percentage points to 6 per cent of GDP with the aim of reaching peace within three to five years. But, he emphasised, there would have to be certain commitments within the military to accept open discussion and a thorough re-organisation.

General Manuel José Bonnet, who was named army commander in a recent reshuffle, says he needs new equipment (because the guerrillas have better weapons) more troops and a justice system with "teeth".

However, because of Colombia's poor human rights record, it is controversial to give more resources and control to the military. Amnesty International has asked the US to stop military aid to Colombia, and though a retired general and five active-duty army officers have been charged with organising paramilitary forces or civilian killings, human rights groups are sceptical of government efforts to curb violations.

Several business leaders at the ANIF congress said that President Ernesto Samper's much weakened government had neither the credibility nor the will to confront these issues.

Put together, these factors threaten to discourage foreign companies and institutions from investing in Colombia just at a time when liberalisation and a favourable investment rating might otherwise be expected to attract them.

Pension law starts Bolivian strike

By Sally Bowen

Bolivia's confederation of workers has called a 24-hour strike for today in what is likely to prove a futile, last-ditch attempt to derail a pension reform law passed by the senate early Sunday after a marathon session.

The new legislation creating private pension funds is the last big step in Bolivia's unique variant on privatisation, known as "capitalisation". Bolivia's six leading state-owned companies – in electricity, transport, telecommunications and mining – have sought foreign "strategic partners" which, in exchange for a 50 per cent stake, assume management control and inject fresh capital.

The remaining 50 per cent passes to the Bolivian adult population in the form of shares. Dividends from the "collective capitalisation" fund's shares – which could amount to $1.5bn – will finance an old-age pension for all Bolivians worth around $200 a year.

Nine companies from the US and Europe, several with Chilean associates, have pre-qualified to bid for administration of the two private pension funds, or AFPs. The eventual winners will both manage the capitalisation fund and set up a system of individual accounts to provide future pensions for Bolivian workers.

The size of the collective capitalisation fund will not be known until early next year. Two state-owned companies still await capitalisation: YPFB, the large oil and gas company, and Vinto, the metallurgical complex plus its associated mines.

Capitalisation at YPFB has suffered a series of delays but offers are due next month. Although few bidders are expected, August's signing of a huge pipeline contract to supply gas to south-western Brazil should ensure YPFB fetches a good price.

US curb on Cuban trade rejected

By Imogen Mark in Santiago

Latin American heads of state, along with those of Spain and Portugal, last night issued an "energetic rejection" of the Helms-Burton act, the US law which allows law suits against foreign companies "trafficking" in assets seized by the Cuban government.

The statement was part of the Declaration of Viña del Mar, which was due to be signed at the conclusion of the sixth summit of Ibero-American states in the Chilean resort town.

"[The Helms-Burton act] is not just a problem for Cuba," Mr José Miguel Insulza, Chile's foreign minister, said. "It's a question of principle. If one country chooses not to trade with another, it's within its rights to do so, but it has no right to block others from trading with whoever they want."

Delegates were careful to avoid any suggestion of a blank cheque in support of the Cuban government. On the contrary, the keynote speech from Chile's President Eduardo Frei spelled out the consensus in favour of democratic government: "No-one now defends a democracy which has targets but no timetable, which is waiting for a paradise that is always just around the corner but never arrives."

The comment was widely understood as a reference to Cuba, though the phrase "targets but no timetable" was also common to the military dictatorships which governed much of Latin America during the 1970s and 1980s.

In his speech Cuba's President Fidel Castro spoke against neoliberal economic policies, and warned of a growing gap between rich and poor in the region. At a meeting with members of the Chilean Socialist party he said Cuba would grow by 7 per cent this year and inflation was under control.

Observer, Page 15

Professor says his report does not support case against working hours directive

Challenge to EU rule undermined

By Robert Taylor and Robert Peston in London

The author of a confidential medical report used by the UK government in its challenge to the European Union's working hours directive said yesterday that the report fails to support the government case.

"There is plenty of medical evidence available that shows it is bad for your health if you work long hours. I could find none to demonstrate that it has a beneficial impact," said Professor John Harrington of Birmingham University.

He accused ministers of suppressing his findings by refusing on legal grounds to allow the report to be published before today's European Court ruling on the UK challenge.

Meanwhile Mr John Major, the prime minister, last night gave his first public confirmation of the aggressive tactics he intends to apply in EU negotiations if today's judgment on the working time directive goes against the UK. He told a business audience at the Lord Mayor's Banquet in the City of London that he will veto any EU treaty changes emerging from the intergovernmental conference unless the directive's provisions – which include limiting the working week to 48 hours for many people – is nullified in the UK.

"We will require changes in European law to reinforce Britain's protection from such legislation [on working time and other social issues]," Mr Major said. "We shall insist upon these changes before we can conclude any new agreements at the intergovernmental conference next year."

A senior government official said EU countries were aware of the seriousness of Mr Major's threat. However, he said the tactics would not be a repeat of the policy of non-co-operation used in a failed attempt to have the EU's ban on British beef exports lifted earlier this year.

On this occasion, the UK will participate in IGC negotiations. However, it will reserve the right to veto whatever package of EU treaty reforms ultimately emerges.

Sir Leon Brittan, vice-president of the European Commission, yesterday offered support for the government's stand over the working hours directive.

He told the annual conference of the Confederation of British Industry that the government would be "perfectly entitled" to suggest to other member states that the Maastricht treaty should be amended to exempt the UK from the directive. "It will also be perfectly entitled to indicate very clearly the priority that it attaches to this issue," he said, appearing to condone the government's threat.

Sir Leon warned, however, that "to have a serious chance of success" the government would have to be prepared to compromise on other issues.

"If Britain wants others to show understanding for its position, it will have to be ready to show flexibility itself and accommodate the concerns of other countries when it comes to treaty changes." He said this might include some extension of qualified majority voting, although not for the issues "closest to national sovereignty or in the social field".

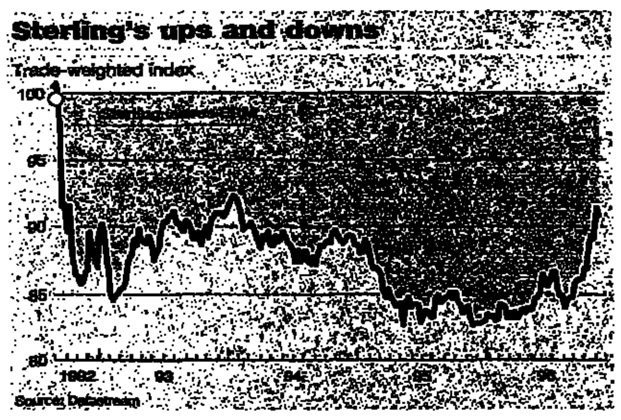
On the eve of the working hours ruling, Prof Harrington criticised the government's use of his report, noting that his conclusions did not support the government's claims.

"I believe working hours are a health and safety issue. The maximum limit of 48 hours a week, set out in the directive, is not unreasonable. It is a sensible restriction," he said.

The European Commission has issued the directive as health and safety legislation which could not be vetoed by individual member states, rather than as general social legislation.

Pound shows no sign of losing strength

Lack of complaints from British exporters may suggest that currency is undervalued



The Bank of England, the UK central bank, shocked currency traders last week when it said the pound's recent strength was probably temporary. Sterling, which had risen above DM2.50, promptly dropped back two pfennigs.

But the pound has stabilised since, ending last week in London at DM2.477. Against a basket of other currencies it has gained about 8 per cent since early August.

Most currency analysts disagree with the view that the pound is likely to weaken. "The pound is probably still undervalued," says Mr Jeremy Hawkins, chief economist at the Bank of America in London.

This may sound surprising. Sterling has fallen by an average of 3.3 per cent a year since 1981, and most traders regard its rises as temporary aberrations. Currency analysts agree that the pound may suffer temporarily in the run-up to this month's Budget and in the three months or so before the general election, which is expected in May next year.

However, most say the pound deserves its current status – judging from economic fundamentals – and that it could edge even higher over the next year. They point out that sterling has regained only about 70 per cent of the ground it lost during 1994 and 1995.

Currency analysts tend to use estimates of purchasing power parity and forecasts of interest rate differentials when gauging how the pound will move over a period of several months. They say both measures currently bode well for sterling.

PPP indicates an exchange rate between two currencies, based on what it costs to buy the same basket of goods in the two countries. For instance, if a week's food shopping costs £20 ($32.60) in the UK and DM50 in Germany, then the PPP exchange rate is DM2.50 to the pound. Mr Chris Turner, currency analyst at Barclays de Zoete Wedd, the investment bank, says PPP suggests the rate is DM2.65.

The Bank of England said last week that much of the reason for the pound's recent rise was that the markets expected UK interest rates to climb while rates elsewhere would be static for months. Sterling's strength was probably temporary, the Bank concluded, as the gap between interest rates at home and abroad is expected to narrow. Most currency analysts agree that looking about 18 months ahead, this is true. By then the Japanese and German economies are expected to have recovered.

But viewed over the next few months, the markets expect UK interest rates to retain their lead over those of other countries, thus attracting more flows into the pound. The short sterling futures market expects UK base rates to rise by one percentage point to reach 7 per cent by June.

In a low interest rate world, that is a rare return. The drive to the single currency in mainland Europe has sent bond yields converging, reducing returns on traditionally high yielders such as the lira and the peseta.

The pound is seen as a safe haven should moves towards European monetary union hit turmoil, says Mr Peter Farley, director of currency analysis at MMS International, the financial markets consultancy.

Mr Hawkins says that the Confederation of British Industry and the British Chambers of Commerce have yet to complain that the strong pound is hurting exports.

"If they're not whingeing, the pound is probably still undervalued," he says.

Simon Kuper

Unions offer pact with employers

By Stefan Wagstyl and David Wighton in Harrogate

Mr John Monks, general secretary of the Trades Union Congress, yesterday proposed a wide-ranging pact between trade unions and employers.

He said at the annual conference of the Confederation of British Industry that the TUC and CBI should develop a joint approach to government on economic issues, whoever wins the next general election.

Mr Monks, the first TUC general secretary to address a CBI conference, put forward seven principles on which such a pact could be based. They included commitments to macroeconomic stability, low inflation, low unemployment, competitiveness, more investment in education, technology and transport, and improving relations with the rest of the European Union.

Mr Monks' proposals were welcomed by conference delegates and by Mr Adair Turner, the CBI director general, who said: "We broadly agree with the seven policy issues raised by Mr Monks. I think it's a good idea sometimes to stress these points of agreement rather than always referring to those issues that divide us."

Mr Monks said: "I am not a fan of the adversarial system of industrial relations. We have a common interest – a common interest in the success of our enterprises, in wealth creation and in a country whose products and services can compete with the best in the marketplaces of the world and which can maintain a decent, courteous and cohesive society."

Mr Monks conceded that there were still big differences between trade unions and employers, for example, on the minimum wage and Britain's membership of the social chapter. But the scope for co-operation was wide.

Editorial Comment, Page 15

UK ECONOMIC DIGEST

Factory gate inflation up

Factory gate inflation picked up for a second successive month in October as higher oil prices increased the cost of industry's raw materials. Manufacturers increased their prices by 2.3 per cent in the year to October, said the Office for National Statistics. Prices of petroleum products rose by 14.5 per cent in the same period, although there were also some signs of inflationary pressure outside the oil sector too.

The figures had little impact on the interest rate expectations registered by the financial futures market. The British Retail Consortium's latest figures meanwhile show a revival in the rate of retail sales growth after September's deceleration. The consortium said that retailers were clearly doing well, but that fears of a 1980s-style consumer boom were alarmist. The value of sales was 5.9 per cent up in October compared with October 1995.

Mr Martin Brookes, economist at Goldman Sachs, said the recovery in manufacturing was likely to continue pushing factory price increases up in coming months. Price pressures, however, were picking up from a low level and this should keep retail inflation subdued, he added. *Robert Chote*

■ FLEXIBLE PRODUCTION

Freezer maker switches to dryers

One of Britain's biggest specialist makers of household and commercial freezers has branched out into tumble dryers, in a pioneering example of a growing trend towards greater production flexibility in manufacturing.

The privately owned Norfrost, based in northern Scotland, has recently sold small quantities of the new dryer outside Britain. The new systems would use assembly methods similar to those used to make the company's mini "chest freezers" – which account for virtually all its annual sales of £30m ($49m). The dryers would be made mainly in the winter, capitalising on spare capacity in Norfrost's factories at a time of the year when demand for freezers is relatively low.

Switching the company's 400-strong labour force between freezers and dryers fits a growing trend in UK industry, in which workers are expected to move between different products. *Peter Marsh*

■ UNPAID TAXES

Companies may face probes

Companies might face a sharp rise in the number of visits from tax inspectors if the opposition Labour party won the next general election. Party officials have proposed increasing the visits that Customs & Excise officers make to monitor business payment of value added tax.

Officials hope that the move could stem the growing "seepage" of VAT revenues, which have been running sharply below forecasts in recent years. In 1995-96, VAT receipts were about £5bn ($8bn) lower than projected 18 months earlier. Research by the Treasury and Customs & Excise has shown that the decline in VAT revenues has been going on since at least the early 1990s. Some government officials believe that a key culprit has been a recent surge in the number of "avoidance" schemes used by large companies to take advantage of legal tax loopholes.

The accountancy profession now increasingly expects Mr Kenneth Clarke, the chancellor, to try to close some of these in his Budget later this month. *Gillian Tett*

German and Italian successes put pressure on market leadership of Ford and GM

Volkswagen sales up 32% on year

By John Griffiths in London

The Volkswagen group, Europe's biggest vehicle maker, which controls the Audi, Seat and Skoda marques, has lifted its UK sales by nearly a third this year. This moves it into fifth place in the UK market behind Ford, Vauxhall, Rover and the Peugeot-Citroën group. All of those, unlike VW, have manufacturing bases in the UK.

The German group's 153,454 UK sales in the first 10 months of the year represents a jump of nearly 40,000 vehicles over the same period of last year. It indicates that the group's policy shift to more aggressive pricing in the UK is paying off.

Volkswagen has maintained or cut most of its prices for the past two to three years. The move aims to rid the brand of the expensive image it acquired when UK sales were under the control of Lonrho, the trading group formerly controlled by Mr Tiny Rowland. VW took back the UK import and distribution franchise from the Lonrho group several years ago.

Lonrho gave higher priority to large profit margins than to volume, a situation VW has been anxious to reverse. When Audi, Skoda and Seat are included, VW captured 8.5 per cent of the UK market in this year's first 10 months.

The group appears poised to gain further sales growth with the launch of a new Passat upper-medium saloon range, which is seen by VW as a much more mainstream vehicle than previous models. The group has set a target of increasing five-fold the Passat's 5,000 yearly sales in the UK within the next three years.

The new Passat, which is about to go on sale, will be the first from any group in Europe to offer an integrated on-board satellite navigation system.

With Fiat of Italy increasing UK sales by one quarter this year, the UK market leaders are coming under increasing pressure. Ford, which regularly captured nearly 30 per cent of the market, has seen its share for the year so far slip to 19.9 per cent from 21.3 a year ago.

Second-placed Vauxhall and third-placed Rover have each dropped one percentage point over the period.

The share of the market taken by South Korean brands has jumped to 2.3 per cent from 1.6 per cent. The Japanese manufacturers are making less spectacular gains, and their share for the year so far is 13.5 per cent.

Peugeot and Renault boost sales

REGISTRATIONS OF NEW CARS	Oct 1996 Volume	Oct 1996 Change%	Oct 1996 Share%	Oct 95 Share%
Total market	154,723	+13.3	100.0	100.0
UK produced	58,564	+0.8	37.9	42.5
Imports	96,169	+22.5	62.2	57.5
Japanese makes	18,860	+14.5	12.2	12.1
Ford group	32,719	+22.6	21.2	19.5
- Ford	31,993	+23.0	20.7	19.0
- Jaguar	785	+13.3	0.5	0.5
General Motors	24,630	+8.0	15.9	16.7
- Vauxhall	23,436	+6.1	15.2	16.2
- Saab*	1,192	+65.8	0.8	0.5
BMW group	19,031	+20.2	12.3	17.5
- BMW	3,471	-13.0	2.2	2.9
- Rover**	15,560	-11.6	10.1	14.5
Peugeot group	17,517	+23.4	11.3	10.2
- Peugeot	12,166	+35.8	7.9	6.6
- Citroen	5,351	+6.9	3.5	3.7
Volkswagen group	13,086	+30.7	8.5	7.3
- Volkswagen	9,033	+35.8	5.8	4.8
- Audi	2,358	+9.4	1.6	1.5
- SEAT	559	+5.9	0.4	0.4
- Skoda†	1,139	+36.2	0.7	0.6
Renault	10,187	+15.8	6.6	6.4
Nissan	6,345	+11.0	4.1	4.2
Toyota	4,737	+11.0	3.1	3.1
Fiat group	6,727	+52.6	4.4	3.2
- Fiat	6,190	+47.5	4.0	3.1
- Alfa Romeo	537	+183.3	0.4	0.2
Volvo	3,572	+27.2	2.3	2.1
Mercedes-Benz	2,954	+18.6	1.9	1.8
Honda	3,467	-8.4	2.2	2.4
Mazda	1,877	+48.3	1.2	0.9
Korean makes	3,580	+44.2	2.3	1.8

*GM holds 50% of Saab Automobile and has management control. **Includes Range Rover/Discovery. †VW holds 70% of Skoda and has management control.
Source: Society of Motor Manufacturers and Traders

Truck registrations Jan-Oct 1996

	Volume (Units)	Volume Change (%)	Share (%) Jan-Oct 96	Share (%) Jan-Oct 95
Trucks over 3.5 tonnes				
Total	44,497	-0.6	100.0	100.0
Imports	27,156	+5.6	61.0	58.2
Iveco group**(Fiat)	9,587	+2.4	21.5	21.2
Leyland DAF (DAF Trucks)	9,081	+0.2	20.4	20.5
Mercedes-Benz (Daimler-Benz)	7,679	+7.0	17.3	16.2
Volvo	5,454	-4.3	12.3	12.9
Scania (Investor)	4,860	+6.9	10.9	10.3
MAN	2,911	+15.2	6.5	5.7
ERF	1,908	-25.4	4.3	5.8
Renault	1,681	+0.8	3.8	3.8
Of which Heavy Trucks (over 15 tonnes)				
Total	26,626	-3.7	100.0	100.0
Volvo	5,070	-4.1	19.0	19.1
Scania (Investor)	4,860	+6.9	18.3	16.4
Leyland DAF (DAF Trucks)	4,552	-0.3	17.1	16.5
Iveco group**(Fiat)	3,436	-2.0	12.9	12.7
Mercedes-Benz (Daimler-Benz)	2,938	-11.0	11.0	11.9
ERF	1,908	-25.4	7.2	9.3
MAN	1,672	+17.8	6.3	5.1
Renault	1,057	+1.8	4.0	3.8

(names in brackets indicate ownership). **Includes Iveco Ford and Seddon Atkinson.
Source: Society of Motor Manufacturers and Traders and industry estimates

Truck registrations collapsed last month after a surge in September caused by companies' efforts to avoid new noise and emissions rules which raised the price of new vehicles. Vehicles conforming to the new EU standards are only about 5 per cent dearer but the highly competitive haulage market meant the difference was sufficient to distort sales significantly.

Oxford reverses stance on plans for business school

By Richard Wolffe in Oxford

Oxford University yesterday announced a surprise reversal of its controversial plans for a £40m ($65m) business school by agreeing to look for an alternative site for the new building.

The university's ruling body, the Hebdomadal Council, yesterday agreed "to redouble its efforts" to find another site for the business school, which is to be half-funded by Mr Wafic Said, the Syrian-born entrepreneur who has close links with the Saudi royal family.

The decision came after the university authorities were defeated last week by the votes of academic staff who oppose the development on a greenfield site in the heart of the city. Some members of the university have criticised the donation because of Mr Said's role on behalf of British Aerospace in the Al-Yamamah defence deal in Saudi Arabia.

The university had earlier argued that the site near its science complex was the only one available for the prestige building planned for the new business school. The university said alternative sites were either too small or too far from other departments, such as those responsible for economics and law, which it is keen to integrate with business studies.

But yesterday the university overturned that position and pledged to carry out a review of alternative sites in the centre of Oxford.

The review is unlikely to emerge with any new options, as the university has already searched for sites on several occasions over the past five years, while Mr Said's donation was being secretly negotiated in Oxford. He rejected earlier plans to use his donation to extend Oxford's existing business school at Templeton College on the city's outskirts.

Rail operator accused of ignoring freight needs

By Charles Batchelor, Transport Correspondent

Freight operators who are seeking improvements to the British railway network so that truck trailers can be moved by rail have accused Railtrack of failing to exploit the potential for freight and for favouring passenger trains.

The Piggyback Consortium, a group of 25 freight operators, ports and wagon manufacturers, fears that Railtrack, owner of the track in the former state-owned national network, is about to cancel a proposed upgrading of the west coast main line between London and Scotland which would have allowed it to take larger freight trains.

Railtrack, which is responsible for track and signalling investments, has calculated that improvements to the line between London and Glasgow and between the Channel tunnel and London, would cost at least £300m, ($489m) – three times the amount agreed with the Piggyback group less than two years ago.

There is "clear evidence . . . that there is no commercial driving force [within Railtrack] for this . . . upgrade strong enough to overcome the prejudices of those charged with developing an upgraded passenger railway," Lord Berkeley, chairman of the Piggyback group, wrote to Mr Bob Horton, Railtrack chairman, yesterday.

The Piggyback group wants responsibility for the project to be taken away from Railtrack and given to a separate consortium.

Railtrack's own forecasts of traffic growth indicate that improvements to the west coast main line would increase freight volumes coming through the Channel tunnel from France from 4m tonnes to 11m tonnes.

Railtrack said that there were no plans to cancel the piggyback project.

UK NEWS DIGEST

N Irelan sees race abu e rise

Northern Ireland's ethnic minoriti suffered a sharp increase in discrimination in the w e of the republican and "loyalist" ceasefires in 1994, sa a survey of the region's minorities.

The report, published yesterday b he University of Ulster, is the first comprehensive s ey of Northern Ireland's ethnic groups. It suggests t, as the two main Protestant and Roman Catholic trad ns sought reconciliation, the smaller ethnic communit – the Chinese, Indians and Irish Travellers – have ome objects of racial abuse.

The report found that 61 per cent o he ethnic minority respondents believed there was racia buse, while more than half the Chinese interviewed sa hey had suffered damage to property. There are 4,000 C nese in the region, between 1,000 and 2,000 Moslems (mos Pakistanis), 1,000 Indians – many of whom worked on t British army bases and settled in the province – an ,400 Irish travellers, a group separate from the Roman or gypsy community in Great Britain. *John Mu y Brown, Dublin*

■ BROKING REGULATION

Fidelity replaces execu ve

Fidelity, the international fund manage nt and broking group, has replaced Mr David Plucinsky president of Fidelity Brokerage Services in the UK, f wing administrative chaos that prompted interventio y the stockbroking regulator, the Securities and Fu es Authority.

Yesterday FBS appointed Mr Kenneth thgeber as its acting president. He was formerly chief f ncial officer and treasurer of Fidelity Investments, the S fund manager with client assets of $452bn (£275bn) ich, with Fidelity Broking Group, belongs to FMR C p, the Fidelity Group parent company.

FBS closed to new private client busines n October 31 at the request of the SFA. It has until the e of January to improve its service to standards set by t regulator. If it fails, it may face disciplinary action, whi could include a fine. *Jon an Guthrie*

■ SCANDEX

All forex investors 'lost m ney'

All foreign exchange investors with Scandex pital Management lost money and some lost more than er original deposits, according to the company's prov ional liquidator.

In a letter sent to Scandex customers, Mr Fi O'Connell of accountants Grant Thornton said vas unable to advise any who were owed money wh er it would be refunded or whether they would rank s unsecured creditors. Customers who bought equities t ough Scandex but had not received share certificates al faced uncertainty.

Mr O'Connell was appointed provisional liquida last month after a High Court hearing in London on an tion brought against Scandex by the Securities and Inve ments Board.

Scandex and Mr Jeremy Bartholomew-White, its anaging director, have iven undertakings until trial no o conduct unauthorised investment business in the U or to make misleading statements or "cold calls". Scan x had previously been told to close by Finanstilsynet, e Danish financial regulator. *Clay rris*

A talent for the derivative

William Packer reviews 'About Vision'

There is nothing very new, in the sense of being fresh, original or surprising, about the chosen works in *About Vision*, the selective survey of "New British Painting in the 1990s", now at the Museum of Modern Art at Oxford.

"Some Recent Painting" would have been closer to the mark. No artist is more than 40, such is the current curatorial obsession with youth, yet there is nothing shown that does not look back in some way to what has been critically fashionable since the war. Surrealism; tachisme; abstract expressionism; hard-edge abstraction; minimalism; photo-realism; art-brut; arte povera; pop-art; automatism; process art; conceptualism: it is all here, for the most part on an *inflated scale*, but not, for the most part, any better done.

What there is nothing of at all, and it is inconceivable in such a fashionable context there ever would be (though there is plenty of it about), is anything worked directly from the real and visible world. The reference throughout is either secondary, taken from photographs or magazines, or is solipsistic – painting that takes painting itself and the processes of painting as its subject. The more figurative, meretricious, less able and, ironically, more self-regarding work falls within the first category; the better done, more abstract and more interesting within the second.

But the exhibition does have its better, even excellent parts. Fiona Rae, from glib beginnings in the late 1980s, has matured into one of the best abstract painters of her generation, with her thoughtful and inventive counterpoint between formal structure and expressive gesture. She sets a hard, clear, bright element against a busy ground, late Kandinsky as it were against Jackson Pollock. Visually unsettling, almost migrainous at times, her work is intelligent and memorable nevertheless.

Callum Innes's paintings strike a conspicuous contrast for *being so self-effacing* in every sense: quiet in their visual presence, gentle in their imaginative effect, and delicately immaculate in the erosive working of the painted surface by which they are achieved.

Ian Davenport, too, from his early high-gloss reworking of Morris Louis's runs and floods of paint, has developed and refined his method, simplifying and reducing the image to a single arch across a given ground. How he contrives his disciplined runs of paint is his affair, but the present results are seductive and convincing. Already, however, the work is becoming dangerously formulaic. He says that his work is "an investigation of processes exploring the different properties of paint." Well, all true painters do that, and always have.

Most of the minimal painting, in truth the better part of the show, is given a room to itself. The monochrome impasto surfaces of Clem Crosby and Jason Martin are physically impressive, which at 10 feet square is no *surprise. Where they might lead* is yet unclear, their delicate, ultimately repetitive play of texture, which is their subject, quite as much the province of the plasterer as the painter.

Simon Callery's paintings are even larger, and so even more impressive. Delicate horizontal lines are laid on a pale grey ground and smudged over again in the best possible, most unexceptionable taste. These are beautiful things: almost too beautiful, perhaps? At 12 feet long, can they have been done with the museum in mind?

And for the rest. Lisa Milroy's three wedding kimonos, shown in turn upon the same geisha model, are worked with a crudeness and lack of painterly curiosity that betrays a crass insensitivity towards both paint and subject. Marcus Harvey's heavy-handed abstract-expressionist reworking of pornography has the curious effect of rendering both form and content entirely without interest. Glenn Brown makes exact copies not of Rembrandt or Fragonard, but of their commercial reproductions. He then hangs the Fragonard upside-down.

Richard Patterson paints blurred images of cheap toys, as out-of-focus as his reference. Damien Hirst pours paint onto a spinning circular canvas, to arbitrary centrifugal effect. Richard Wright paints bright patterns directly on the wall. "I wanted to escape painting ... I wanted to do something that was more action than object – I wanted things to be less elevated, more ignorable." Well well.

About Vision – New British Painting in the 1990s: MoMA, Oxford, until Feb 23, then touring. Sponsors: Absolut Vodka.

Inventive counterpoint: Fiona Rae's 'Untitled (green with circles)'

Concert

Wrapped in stars and stripes

It seems strange that an orchestra should come all the way across the Atlantic and then threaten not to play, but that is how the San Francisco Symphony Orchestra began its European tour. Musicians met the audience in the foyer, handing out leaflets that detailed their grievances over a new contract and intimated the possibility of a strike.

Fortunately, they did play their one London date, at the Barbican on Sunday. The orchestra is always a welcome visitor, and there is a special reason for its tour this year. After a period of steady progress under Herbert Blomstedt, the orchestra has chosen to try out life in the fast lane with its new music director, Michael Tilson Thomas.

This is his inaugural tour with the orchestra and on this evidence the partnership is doing fine. While other top American orchestras have been turning to senior conductors from the Teutonic tradition, San Francisco is unashamedly wrapping itself in the stars and stripes. Tilson Thomas is an American musician through and through – from the music he likes to the way he wants it played.

The San Francisco players had their own distinctive sound before and it is one its new music director should be happy with, not weighty like Chicago, not plausibly "old-world" like Boston, but glinting with light and energy. It is almost tempting to call the San Francisco sound "glossy", but that may be because the second half of the concert opened with a colourful display piece called *Parade* by Lou Harrison, which was a typically brash West-coast mixture of American brass band and Pacific Rim ethnicity.

The rest was a well-chosen programme, delivered with panache. Copland's music is second nature to Tilson Thomas and his *Symphonic Ode* made a livewire start to the evening. The major part of the second half was devoted to a substantial selection from Prokofiev's ballet score to *Romeo and Juliet*, which showed off the orchestra's keen string playing and incisive, but never heavy brass. There was plenty of detail to be heard in Debussy's *La Mer* too, but it was all rather brilliantly spotlit, every timbre clearly delineated, every rhythm given a Stravinsky-like cut.

The San Francisco tour moves on to Amsterdam, Brussels, Paris and cities in Germany and Austria, although the strike may hit in Vienna on the day the players' contract is due for renewal. Perhaps they did not dare refuse to play here, when they know the conditions of service that London's orchestral players have to accept as standard.

Richard Fairman

Ballet/Clement Crisp

At the mercy of the music

Kenneth MacMillan's *Prince of the Pagodas* has returned to the Royal Ballet repertory at Covent Garden. His last full-length ballet – he made it in 1989, three years before his death – it was the realisation of a long-held wish to use Benjamin Britten's score. It was also a grateful look back at one of the formative influences on his own career, *The Sleeping Beauty*, whose splendours of academic style and musical felicity told a young student of the greatness of classic ballet. (No nascent Royal Ballet choreographer could view the company's present *Beauty* travesty with the delight felt by MacMillan, or by John Cranko for whom the *Pagodas* score was composed, in the 1946 staging in which they grew up). For both men making *Pagodas* was to be an act of homage.

Cranko's *Pagodas* was a fine ballet, yet it was at the mercy of Britten's brilliant but copious score. (I remember a pas de deux for Beriosova and David Blair which seemed unable to end, so generous its music.) MacMillan's production, made in the maturity of his talent, is similarly enmeshed in the score. There is, quite simply, too much music: too many fanfares, too much gamelan sound, an overdose of bars in the variations.

MacMillan wanted to have the score edited when he first thought of making a version. Britten, in poor health, was not interested in changes. It was surely false piety not to have made extensive cuts in 1989 when, after a decade, the ballet went into production. There are passages where one senses MacMillan making steps and more steps to fill out the long-winded procedures of the score – notably in the second act. A few cuts have been made in this revival – a cloud dance in Act 2; the King's solo – but these are not enough. If the score, and the ballet, is to have enduring theatrical life, skilled excisions (especially in Act 2) would be advantageous.

The current performances were scheduled to bring back three members of the original cast: Darcey Bussell, Jonathan Cope, Tetsuya Kumakawa. Injury to the men meant that on Thursday the Prince was danced by Stuart Cassidy, and the Fool by Peter Abegglen. Bussell, divine and seemingly unchanged from the radiant young girl whose great talent MacMillan sensed and trusted in 1989, was still Princess Rose, and quite perfect. If her dancing is now more assured, her sweetness of temperament, a sense of spiritual grace and modesty, still colour her reading and give it beauty. Seeming simplicity – and what art lies in making the dance as pure as bird-song – and a true innocence of manner (nothing untrue, nothing jarring) are still the bloom on this ravishing interpretation. Here is playing of the most enchanting kind, irresistible and radiant in youth and skill.

Stuart Cassidy was a worthy Salamander Prince, by turns danseur noble and anguished beast. Peter Abegglen was a charming and, when necessary, commanding Fool, though he as yet misses the Zen-mystery of Kumakawa's creation. Certain other roles struck me as being under-danced, but a major ballet is returned to the repertory, and – musical superabundance and all – is welcome. The orchestra under Richard Bernas made the most of every dazzling sonority.

Alastair Muir

Radiant: Darcey Bussell in Prince of the Pagodas

Theatre/Alastair Macaulay

Power games of love

Guy de Maupassant, celebrated master of the short story, wrote one full-length play, *La Paix du ménage*; and if *Taking Liberties*, a new English adaptation of it now being performed at Ipswich's Wolsey Studio Theatre, does it anything like justice, the wonder is that it is not better known. It is exquisitely French, urbane, adult: a witty, suspenseful, sometimes chilling demonstration of the power-games behind marriage and adultery.

The play is a dramatic triangle: an 1890s variation on the Tristan-Isolde-Mark ménage. First, we see Madame la Comtesse de Sallus with her aristocratic lover. She is all ardour, but she will not fully commit herself to him. "You know what torture it is to love a woman like you," he cries. "No," she replies, basking, cat-like. Her mind is largely on her persistently and insultingly faithless husband who, after 10 years of public adulteries, has suddenly begun to court her. "One falls in love with a person before marrying her. To do so afterwards borders on perversion."

Is her husband's courtship genuine? No, her lover assures her; he claims that the Comte is simply occupying himself while he is spurned by his latest would-be mistress. But then she too is toying with her lover. "They say that nature abhors a vacuum. You have filled it."

The dramatic tension, of course, rises when the husband enters. Soon – after barbed courtesies between him and his wife and her lover – one twist follows another as husband and wife address the situation. He wants her; wants her in the way he wants a mistress. Pay for it, she answers; pay the very amount you pay for a mistress. Finally, he consents: he will pay 5000 francs a month for her favours, and he gives her 5000 francs of it in cash. She takes the money; and tears it up before his eyes. If he wants her after all this time, he will have to work harder.

But does he really want her? And what does she want? In Act Two, the next day, the story keeps us on tenterhooks. She tells her lover that her husband has informed her that he will apply the Code Napoléon and treat her as his property. So she agrees, now, to her lover's earlier proposal: she wants to elope with him and become his wife. He, however, is dismayed. It is one thing to love a respectable wife; another to cohabit with a fallen woman. By the time he has consented to help her elope, the situation has changed ... and it keeps changing.

I congratulate the Wolsey Studio (and Boudicca Productions) for presenting the British premiere of *Taking Liberties*, but I would like to see it in a finer production. It works well played, as here, with the audience on four sides; and the three leading actors – intensely exposed as they develop this drama in the round – maintain an exemplary focus on each other. However, I confess to finding little real chemistry between the three.

As the lover, Nigel Bowden is too obviously limp, too velvet-voiced, for us to believe for a moment he ever harbours virile ardour for Mme la Comtesse. As M. le Comte, Terence Booth is – excellently – both forceful and relaxed. But his style lacks the very high elegance that Bowden and Joanna Dunham, as Mme la Comtesse, employ. At the matinee I attended, Dunham seemed nervous. She finely judges every aspect of the role the wronged wife, the manipulative mistress, the *comme il faut* society lady. But the character is not fully alive.

Taking Liberties is translated and adapted by Reggie Oliver (who also played the butler). It is an exciting rediscovery; I hope to see it enter the repertory of other British companies. The wit with which the French expose the power-games of love delivers one after another chill to the heart.

At the Wolsey Studio, Ipswich, until November 16.

INTERNATIONAL ARTS GUIDE

ANTWERP

CONCERT
De Singel Tel: 32-3-2483800
● Mitsuko Shirai and Hartmut Höll: the mezzo-soprano and pianist perform works by Webern, Schoenberg and Berg; 8pm; Nov 14

THEATRE
Bourlaschouwburg Tel: 32-3-2319750
● Glengarry Glen Ross: by Mamet. Directed by Leo Madder, performed by the Koninklijke Nederlandse Schouwburg (in Dutch). The cast includes Chris Cauwenberghs, Hubert Damen, Geert de Smit and Herman Fabri; 8pm; Nov 13, 14, 15 (also 1.30pm), 16, 17 (3pm)

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Vogler Quartet: with cellist Georg Faust perform works by Schubert and Webern; 7.30pm; Nov 15

Philharmonie & Kammermusiksaal Tel: *49-30-2614383*
● Carmina Burana: by Orff. Conducted by Stefan Bevier; performed by members of the Philharmonische Orchester Stettin, the Studio-Chor Berlin and the Chor der TU Stettin. Soloists include soprano Sabine Zeilermeier; 8pm; Nov 13, 14

■ BIRMINGHAM

CONCERT
Symphony Hall Tel: 44-121-2002000
● City of Birmingham Symphony Orchestra: with conductor Mark Elder and pianist Peter Donohoe perform works by Rimsky-Korsakov, Chopin and Rachmaninov; 7.30pm; Nov 13

■ COPENHAGEN

DANCE
Det Kongelige Teater Tel: 45-33 69 69 69
● Swan Lake: a choreography by Peter Martins to music by Tchaikovsky, performed by the Danish National Ballet; 8pm; Nov 14

■ DETROIT

EXHIBITION
The Detroit Institute of Arts Tel: 1-313-833-7963
● The Art of Thomas Wilmer Dewing: Beauty Reconfigured: exhibition of the work of American artist Thomas Dewing (1851-1938). A figure and portrait specialist, Dewing is best known for his paintings of modern women in sparsely furnished rooms or in undefined, *atmospheric spaces. The* exhibition presents 70 works in a variety of media, drawn from public and private collections; from Nov 13 to Jan 19

■ FRANKFURT AM MAIN

EXHIBITION
Schirn Kunsthalle Tel: 49-69-2998820
● Ferdinand Hodler - Freundschaft und Kunstsinn: retrospective exhibition featuring works by the Swiss painter Ferdinand Hodler (1853-1918), a precursor of Expressionism and member of the Sezession of Vienna. The display, organized in collaboration with the Kunstmuseum Solothurn, gives an *overview of his artistic career and* includes his early figurative work, his portraits and landscapes; to Jan 5

■ HAMBURG

EXHIBITION
***Museum für Kunst und* Gewerbe** Tel: 49-40-24862732
● Michael Ruetz. Sichtbare Zeit - Photographien 1965-1995: exhibition of works by the German photographer Michael Ruetz (b. 1940), spanning the years 1965-1995; from Nov 15 to Jan 26

■ LISBON

DANCE
Grande Auditório da Fundação Gulbenkian Tel: 351-1-7935131
● Ballet Gulbenkian: perform *Mats Ek's Old Children to music* by Massenet, Grieg, De Frumerie and others, Paulo Ribeiro's *Comédia Off to music by Lucas,* and Ohad Naharin's Axioma 7 to music by J.S. Bach; 9.30pm; Nov 13, 14, 15, 16 (also 4pm)

■ MADRID

CONCERT
Fundación Juan March Tel: 34-1-4354240
● Cassadó Quartet: with violinists Victor Martin and Domingo Tomás, viola-player Emilio Mateu and cellist Pedro Corostola perform Alis' Melody for Violin, Sonata for two Violins and Adagio for Quartet; 7.30pm; Nov 13

■ MUNICH

OPERA
Nationaltheater Tel: 49-89-21851920
● Ariadne auf Naxos: by R. Strauss. Conducted by Sir Colin Davis and performed by the Bayerische Staatsoper. Soloists *include Susan Graham, Christiane* Schäfer and Hermann Prey; 7.30pm; Nov 13

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Carlos Prieto in concert: the Mexican cellist performs the complete Bach Suites for Unaccompanied Cello; 8pm; Nov 13

Avery Fisher Hall Tel: 1-212-875-5030
● *New York Philharmonic: with* conductor Andrew Davis and pianist Louis Lortie perform works by Ruders, Grieg and Elgar; 8pm; Nov 14, 15, 16

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● La Traviata: by Verdi. Conducted by Maurizio Barbacini, performed by the Metropolitan Opera. Soloists include Arteta, Giordani and Josephson; 8pm; Nov 14

■ PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● San Francisco Symphony Orchestra : with conductor Michael Tilson Thomas and violinist Anne Sophie Mutter perform works by Copland, Tchaikovsky and Prokofiev; 8.30pm; Nov 15

EXHIBITION
Centre Georges Pompidou Tel: *33-1-44 78 12 33*
● Luciano Fabro: exhibition featuring a selection of works by the Italian 'Arte Povera' artist Luciano Fabro (b. 1936); to Jan 6

■ TORONTO

EXHIBITION
Art Gallery of Ontario Tel: 1-416-979-6648
● Edouard Baldus: Héliogravures: exhibition of works by the 19th-century photographer Edouard Baldus. As the "official" Second Empire photographer, *Baldus contributed to the spirit of* expansionism by working on large-scale projects that showed both the splendour and the compelling detail of France's architectural heritage. The 26 works in this exhibition were first published in 1869-70 in a set of 45 prints; from Nov 13 to Feb 16
● Perspective 96: the tenth in a series of annual exhibitions dedicated to the presentation of new work by emerging contemporary Canadian artists; from Nov 13 to Jan 26

■ VIENNA

OPERA
Wiener Volksoper Tel: 43-1-514442960
● Faust: by Gounod. Conducted by Asher Fisch, performed by the *Wiener Volksoper.* Soloists include Simina Ivan, Linda Pavelka and Jutta Geister; 6.30pm; Nov 15

■ WASHINGTON

CONCERT
Concert Hall* Tel: *1-202-467 4600
● National Symphony Orchestra: with conductor Bobby McFerrin and pianists Katia and Marielle Labèque perform works by Mozart, Debussy and Bizet; 8.30pm; Nov 14, 15

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands. **Tel: 31 20 664 6441. E-mail: artbase@pi.net**

WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

(Central European Time)

MONDAY TO FRIDAY

NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage *until 15.00 of European* business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Martin Wolf

To fiscal independence

Making French, German or British taxpayers service Italian debt would destroy European economic and monetary union from the outset

If European economic and monetary union proves unworkable, its implications for fiscal policy will be among the most important reasons. Two questions must be distinguished: how to manage public indebtedness; and how to respond to cyclical fluctuations. Both have the same answer: national fiscal autonomy.

In a thought-provoking paper published early last month (*Maastricht Misconceptions*, Monthly International Review 55, Lombard Street Research, London) Bernard Connolly and Brian Reading argue that only with free access to their own central banks can states manage high debts. Alternatively, a European government with tax-raising powers would need to assume the debts.

If the argument is right, Emu membership must be suicide for Italy. In fact, most likely members have higher ratios of public debt to gross domestic product than even the provinces of Canada, which is a decentralised federation. So Emu seems shaky from the start.

The most important implication of this line of argument is that the ratio of debt to GDP should play a much greater role than the deficit in determining eligibility for Emu. Another – stressed by Connolly and Reading – is that recent convergence of long-term interest rates in Europe will not last: either the high-debt currencies will be excluded from Emu or country-specific credit risk will be reflected in interest rates.

Why might government access to the central bank be so important? It can *make the markets in public* debt more liquid: it gives *the government the seignorage* – the profit on note issue and deposits at the central bank; and it allows default through unanticipated monetary expansion.

Neither the first nor the second point amounts to much. In today's Europe, for *example, seignorage* is well under 1 per cent of GDP. The obvious advantage *of* possession of a central bank is the ability to default by inflationary inches. But it is very peculiar to argue that lenders are *attracted*, as the argument implies, by the knowledge that borrowers can inflate their debts away.

Why *then does the market* judge the sovereign to be *the least risky borrower in* any given currency? There are two reasons. The first is that inflation must be shared by all lenders and borrowers in a currency, its extent being determined by monetary policy. The second is that the state has the power to tax, of which the capacity to inflate is but one component.

Governments can lose their power to tax in five ways:

- By a collapse in economic activity as taxes rise.
- By the movement of taxable resources – or a threatened movement – outside their jurisdiction.
- By the loss of the political support to impose taxes.
- *By being constrained in* their ability to tax by the *taxes imposed by another*, normally superior, level of government.
- *By being legally deprived* of powers to tax.

Emu would not affect either the first or the second. The abolition of exchange controls in the single market must reduce the capacity to tax capital, but its extent should not be exaggerated. Albeit harmful for economic adjustment, *labour immobility actually* safeguards the capacity to *tax earnings*. European countries do, for example, find it far easier to tax labour at different rates than do the states of the US.

As for the third, member states may find it impossible to obtain consent to the taxes needed to service their debts. If they lack this, they will be driven to default. But the only difference Emu would make is that this would be an open, not an inflationary, default.

With the fourth and fifth point, one reaches the heart of the issue. In federations, a superior level of government normally takes a substantial proportion of available revenue or constrains the tax-raising capacity of subordinate governments in other ways. The more con*strained a government* becomes, the more difficulties it will face in servicing its debts.

Thus the development of a *greater capacity to tax* at the centre of the EU, far from being a solution to the problem of member-state indebtedness must make it worse – unless the centre assumes those debts too. But it is difficult to think of any more certain way to demolish Emu than to make French, German or British *taxpayers service the debt* accumulated by Italians.

As Professor Barry Eichengreen of the University of California, Berkeley, points out in a recent paper (Saving Europe's Automatic Stabilisers, October 1996) when central governments control most revenue, sub-central governments with unmanageable debts must default or be bailed out. But if those governments possess the fiscal levers, there is a third alternative: to force them to raise taxes of their own. Provided the power to tax is left with member states, therefore, Emu should be workable on this score.

Member countries not *only need fiscal autonomy* to manage their high levels *of indebtedness*, they also need it to stabilise their *economies. As Christopher* Allsopp and David Vines argue persuasively (in Fiscal Policy and Emu, National Institute Economic Review, Number 4, 1996), member states should be able to stabilise their economies if they are allowed to take advantage of the automatic response of taxes and spending to cyclical economic fluctuations.

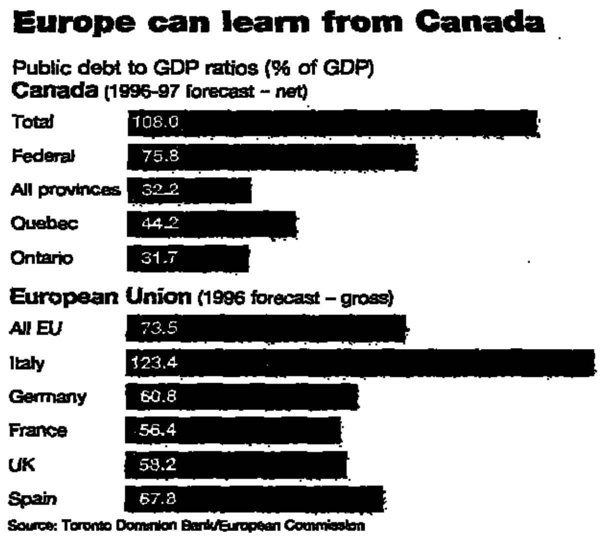
The danger, however, is that over-rigid application of the *Maastricht criteria*, as elaborated by the stability pact, *will exacerbate cycli*cal instability in individual member states and the European economy as a whole. What is needed is far greater member state fiscal autonomy than now envisaged, in the knowledge that profligacy will ultimately be punished in the markets.

Professor Eichengreen *suggests* that reform of domestic fiscal procedures might be an *alternative to* rigid fiscal rules. Another suggestion he *makes is* that the rules be applied to cyclically adjusted deficits, rather than the raw fiscal deficits. Yet another possibility would be to reduce fiscal flexibility as debt ratios *rise*. Thus, there might be no restrictions on deficits of countries *with debt ratios* below 60 per cent of GDP and progressively tighter ones as those ratios rise. If all this creates too many worries in some member states, countries vulnerable to independent shocks should be excluded.

The dangers of excessive fiscal stringency, inadequately offset by monetary loosening, are not theoretical. They are potently illustrated by what is happening to the European economy at the moment. As Allsopp and Vines point out, any attempt to reduce fiscal deficits when the private sector wants to save more than it *invests is almost certain to* generate stagnation in a very large economy, such as Europe's. To persist in this *course without more aggres*sive monetary expansion than has been forthcoming hitherto is likely to prove self-defeating.

The most important conclusions are four: first, if a country is to be excluded from Emu for fiscal reasons, it must be over its debts, not its deficits; second, if Emu is to work, member states must retain all powers to tax – and, when necessary, not to tax; third, the stability pact in its envisaged form is far too inflexible; *last but not least, determi*nation to shrink fiscal deficits without paying sufficient attention to the private sector's ability to reabsorb the released resources is a path to stagnation and despair.

Europe can learn from Canada



Source: Toronto Dominion Bank/European Commission

Unparallel universe

The Philippines' economy has turned around in 20 years, says **Edward Luce**

Next week's summit in Manila of the Asia Pacific Economic Co-operation (Apec) forum is seen by the Philippine government as its best chance to broadcast the country's economic renais*sance to the outside world.*

With 17 world leaders, *including US President Bill* Clinton and President Jiang Zemin of China, arriving in Manila on November 23, President Fidel Ramos has instructed Philippine officials to make the most of this rare public relations opportunity.

The last time the country staged an international gathering on *such a scale was in* 1976, when the late president Ferdinand Marcos played host to the annual International Monetary Fund-World Bank meeting. Many Apec meetings will be held at the convention centre hastily built in that year by Mrs Imelda Marcos, who was mayor of Manila. And then – as now – the government launched a frenetic "beautification" drive to clear squatter settlements. No amount of cosmetic engineering, however, could hide the Marcos dictatorship's dismal economic performance.

Philippine officials will point out that in 1996 the *country is a very different* place to do business. In 1976, *the country was busily erect*ing walls to foreign imports and handing out domestic monopolies to well-connected Philippine businessmen. In 1996, the Philippines is attempting to persuade its south-east Asian partners to liberalise trade.

The seven-member Association of South East Asian Nations (Asean) is aiming for a 5 per cent common tariff on intra-Asean trade by 2004. Manila wants to offer this to the rest of the world unconditionally. "We want *to take the initiative and* dismantle as many barriers to free trade as possible," says Mr Caesar Bautista, Philippine secretary of state for trade and industry. "Already about 70 per cent of Philippine tariffs are 'most favoured nation' [available *equally to all*]. We are aiming for 100 per cent within the foreseeable future."

Whether Mr Ramos can persuade his Asean counterparts to adopt this bold trade initiative at the Apec leaders' summit is unclear. The sharp fall in regional export *growth in 1996* has dampened enthusiasm for trade *liberalisation in countries* such as Thailand and Malaysia. The Philippines is one of few countries to have largely escaped the slowdown. It has recorded the fastest export growth in Asia this year with an 18 per cent rise in the first nine months.

Similarly, *the Philippines* is almost alone in achieving higher economic *growth in* 1996, albeit from a lower base than most of its neighbours. Philippine gross national product grew by 7.1 per cent in the first half of 1996, up from 5.8 per cent in 1995. "It doesn't really matter which economic indicator you study: all the signs are that the Philippines is starting to emulate its neighbours," says Mr Peter Wallace, director of AYC consultants, which advises foreign companies investing in the Philippines.

The country's newfound economic vitality has not, *however, come* without problems. The Philippines' rickety legal system and a lingering desire for *protectionist policies among* some business leaders have frustrated several high-profile foreign investments and tarnished Manila's improved reputation.

In a feat of bad timing which could cause embarrassment at the Apec summit, Mr Ramos recently intervened in favour of a local company to freeze a decision on the privatisation *of one of the* country's largest ports. The contract to *manage the* Subic Bay free port – which, by coincidence, is the venue for the Apec leaders' final declaration on November 25 – was initially awarded to Hutchison Whampoa of Hong Kong, one of the world's largest container groups.

The losing Philippine bidder, International Container Terminal Services (ICTSI), complained to Mr Ramos, who *ordered Subic* to re-evaluate the bids. The free port, which has attracted more than $1bn in foreign investment since it was closed as a US naval base in 1992, promptly reaffirmed Hutchison as the winner of the 25-year contract. Last *month Mr Ramos* again overruled Subic's decision. The Philippine government is expected to award the contract to ICTSI after the Apec meeting.

Similar disputes with other foreign companies recently prompted the British ambassador in Manila, Mr Adrian Thorpe, to take the rare *step of criticising* the Philippines for failing to uphold the sanctity of contracts. "Foreign companies quite rightly see the Philippines as a good investment opportunity," said Mr Thorpe. "But there is no doubt that there have been a lot of cases recently where contracts have not been properly enforced."

Most foreign investors, however, including a growing number of Japanese and Taiwanese electronics companies, seem prepared to dismiss the Philippines' erratic treatment of contracts as *temporary growing pains*. The country continues to attract rising inflows of foreign direct investment.

The IMF, which is due to complete its final Philippine assistance programme in June next year, says the Philippines is in little danger of suffering a sudden reversal in investor confidence.

But the IMF warns Manila against complacency. Much work, including reform of the legal system and improvements in the government's fiscal position, is required before the Philippines can call itself an "Asian tiger" *economy*, it says. In the meantime, the visiting Apec heads of state are unlikely to find many parallels between the Philippines of 1996 and the Philippines of 1976.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Consideration Ogoni seeks from Shell

From Mr Ledum Mitee.

Sir, *John Jennings's* letter (November 5) talks confidently of Shell's performance in Ogoni. Those of us from there know differently.

The reality in Ogoni, and throughout the Niger delta, is that Shell has actively colluded with Nigeria's military dictatorship. Even Shell's own armed police are drawn from the Nigerian forces. They harass, arrest and abuse Ogoni people. Nor is Shell's environmental perfor*mance in the Niger delta as* Mr Jennings describes, as shown by the reports of its former environmental manager, *Bopp Van Dessel*. These catalogue Shell's environmental failures which forced his resignation in frustration at their inaction.

If the Niger delta is full of contented communities grateful for Shell's generosity, your readers might ask why as recently as four weeks ago, protests were held against Shell's failure to abide by its own environmental policies. Why is there no electricity, piped water or paved roads, other than those to Shell installations in oil-rich Ogoni? Why are church services disrupted, schools closed and military roadblocks still in place?

Shell's last minute plea for clemency for Ken Saro-Wiwa was not heard by those of us held alongside him, and who stood beside him in the dock while our families, witnesses and lawyers were abused and intimidated. No plea was heard from Shell's lawyers who were present when the verdict was handed down. Nor are they heard by the 19 Ogoni men held in appalling conditions in Port Harcourt prison awaiting the same dreadful fate as Ken. I had personally arranged a meeting from my detention with a Shell official and pleaded without success for Shell's intervention to secure our freedom.

Mr Jennings talks of "justice" and "reconciliation". That is what the Ogoni people want. Our struggle is for the same consideration from Shell in our communities that is shown to the oil communities of the UK, nothing more. We have insisted that for community development to be useful in terms of sustainability, it has to be embarked upon on the basis of priorities set by the people.

Ledum Mitee,
acting president,
Movement for the Survival of the Ogoni People,
Suite 5, 3-4 Albion Place,
Galena Road,
Hammersmith,
London W6 0LT,
UK

Pensions only half good

From Mr Neil McPherson.

Sir, The hubris arising from the UK Social Security Committee's report on the threat posed to the UK by Europe's unfunded pension liabilities, as evidenced in your letters page of November 8 and editorials in much of the UK press, is staggering. While the assets of the UK's funded pension plans indeed exceed those of the rest of the EU combined, they cover just 50 per cent of the nation's workforce.

While creditable, this falls well short of the coverage achieved in countries such as Denmark and The Netherlands and lags the 60 per cent target coverage for the EU advocated by the European Federation for Retirement Provision in its report on European pension funds published earlier this year.

Furthermore, this barely adequate coverage is being eroded by the drift towards *defined contribution* schemes and personal pensions arrangements, which, due to inadequate funding and inappropriate asset allocation, are unlikely to provide sufficient annuities at retirement.

Such a scenario would add a generation of impecunious pensioners to that half of the working population not covered by occupational pension *plans claiming their retire*ment provision from the pay-as-you-go state scheme, in the same way as their French and Italian neighbours.

Neil McPherson,
Van Eeghenstraat 15,
1071 ES Amsterdam,
The Netherlands

Power – and responsibility

From Mr Bruce Lloyd.

Sir, Christian Tyler ("The search for the makings of greatness", November 2) provided interesting and useful insights on the vitally important subject of power. But he omitted one aspect. The criti*cal element that makes the* difference between power-driven, self-focused individuals and those who achieve "greatness" *is the link with* responsibility. As Winston *Churchill* once put it: "The price of greatness is responsibility." Only when power and responsibility are considered and developed *together, at all levels of soci*ety, are we likely to find successful organisations over the longer term.

Bruce Lloyd,
principal lecturer in strategy,
South Bank University,
103 Borough High Street,
London SE1A 0AA, UK

Keynes: the contradictions and the confusion

From Mr David Felix.

Sir, Michael Prowse, in his article "Spurning Keynes" (November 4), and his opponents Robert Solomon and W. Stanners (Letters, November 6) join in overleaping Keynes's economics and losing themselves in propaganda, politics, and policy.

If they were to read his General Theory, they would find that it is constructed on two simple, odd-sounding propositions today, that advanced economies (1) save too much while consuming too little and (2) by way of liquidity preference, experience excessive interest rates for loanable/investible funds.

Keynes abandoned the first proposition in the book (p97) with the phrase, "But whether or not a greater proportion is saved . . .". *His* consumption theory is an *unfulfilled* promise.

His liquidity-preference interest theory is based on the crazy and arbitrary idea that the saver-lender alone determines the interest rate, thus "it is the 'price' which equilibrates the desire to hold wealth in the form of *cash with the available* quantity of cash" (p163).

His whole discussion, like this sentence, denies the existence and bargaining power of the *entrepreneurial* "borrower", who, according to Keynes, *passively accepts* whatever interest rate is set by the saver-lender's liquidity preference.

Yet Keynes used this combination of non-existent and crazy theory to rationalise sensible policy in the Depression, namely inflation to counter the deflationary policies superimposed on the advice of proper neo-classical economists, upon a deflationary situation.

He also pointed to the need for clear governmental responsibility to restore and maintain economic equili*brium*. With such contradictions he left many confusions behind, Mr Solomon's faith in aggregate demand betraying one of them.

Excessive concern about this blurry conception led to the inflation of recent years – and the salutary but unthinking pragmatics of supply-side economics.

David Felix,
49 East 86th Street,
New York,
NY 10028,
US

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Tuesday November 12 1996

Agenda for the WTO

Some modest celebration will be in order at next month's ministerial meeting of the World Trade Organisation. After less than two years, the WTO's institutional machinery is firmly in gear, and it has established itself as a credible forum for settling trade disputes. However, to entrench these achievements - and justify five days of talks in Singapore - the ministers also need to make real progress in setting clear priorities for the the global trade system.

The central challenge is to construct a broadly-supported agenda which strengthens - rather than over-burdens - the system by promoting genuine liberalisation. The difficulty of striking the right balance is highlighted by the unresolved controversy over proposals to extend the WTO's remit far beyond attacking border barriers into the harmonisation of domestic regulatory policies.

Consensus on such "new" issues will be made no easier if the US and other industrialised countries continue to press the the most contentious of them - trade and labour standards. Their demands are backed by no coherent economic argument and seem largely inspired by domestic political calculations. Now that President Bill Clinton is re-elected, he should drop them.

The case for addressing other new issues, notably the links between trade, foreign investment and competition policy, is stronger. Given the complexity of these subjects, the WTO should avoid over-ambitious initial goals. But its members need to recognise that inaction could surrender the initiative to other fora, with no mandate to formulate globally acceptable rules. The likely result would be regulatory confusion and conflict.

That prospect also underlines the need for stricter WTO disciplines on regional trade arrangements. At the least, such groupings divert political attention from multilateral priorities. At worst, their uncontrolled proliferation threatens discrimination against third countries and the fragmentation of the global economy.

More effective safeguards are a priority. Meanwhile, some risks posed by regionalism can be reduced by a further drive to eliminate frontier obstacles to trade. There is plenty still to do. The Uruguay Round barely dented agricultural protectionism, while the west has yet to make good on undertakings to scrap textiles quotas. Industrialised economies also maintain many minimal "nuisance" tariffs, which serve only to keep customs officers employed.

WTO members have already agreed an ambitious timetable of further negotiations. What is still lacking is a firm political commitment to prepare for that task and bring it to a successful conclusion. Ministers should give such a commitment unequivocally next month.

Such renewed impetus is also needed to ensure that the admission in the next few years of more than 30 new WTO members does not induce institutional paralysis. Integrating new members, above all China, into the WTO, and managing a much-enlarged organisation will, in addition, pose formidable practical challenges. The ministers need to show in Singapore that they recognise the importance of these tasks and are resolved to tackle them effectively.

Straw men

The arguments about Europe are complicated enough without pointless political posturing. Yesterday, Mr Gordon Brown, the shadow chancellor, sought to out-posture the government in an attempt to prove that Labour can be as tough over Europe as the Tories.

Labour would not, Mr Brown declared, remove the requirement for unanimity in the European Union over changes to social security or to worker representation on company boards. The fact is, as Mr Brown well knows, that a Labour government would be under no pressure to do either. Most of social security is probably unharmonisable anyway, given differing systems across Europe. Those social security provisions which may fall within the EU's social chapter are already subject to unanimous decision, not qualified majority voting.

The same goes for worker directors. While consultation with employees is covered by qualified majority voting, the social chapter is equally explicit that the much more important issue of employee representation on boards still requires unanimity. No one is suggesting otherwise.

Mr Brown, in effect, is talking tough about nothing. His approach has no more to recommend it than the government's stance over today's European Court ruling on the working time directive. Hints that Britain may bring the inter-governmental conference to a halt do no more for the political process or politicians' reputations than Mr Brown's creation of straw men to shoot at.

Japan's reforms

Japan's proposal for a Big Bang deregulation of its financial markets may turn out to be more important for its symbolic content than its immediate practical effect.

The project, announced yesterday by the new government headed by Mr Ryutaro Hashimoto, brings together a host of already mooted reforms into a single overall package, with a deadline of 2001. Banking, stockbroking, foreign exchange, insurance - all would be affected, along with Japan's legal, tax and accounting systems.

In putting forward such an ambitious project, the government seems to be motivated at least in part by a desire to revitalise financial markets still heavily depressed by the collapse of the bubble economy of the 1980s. Though reform on the scale the government is proposing is inherently desirable, it would be wrong to believe that deregulation will promptly pay off in a recovery of financial confidence.

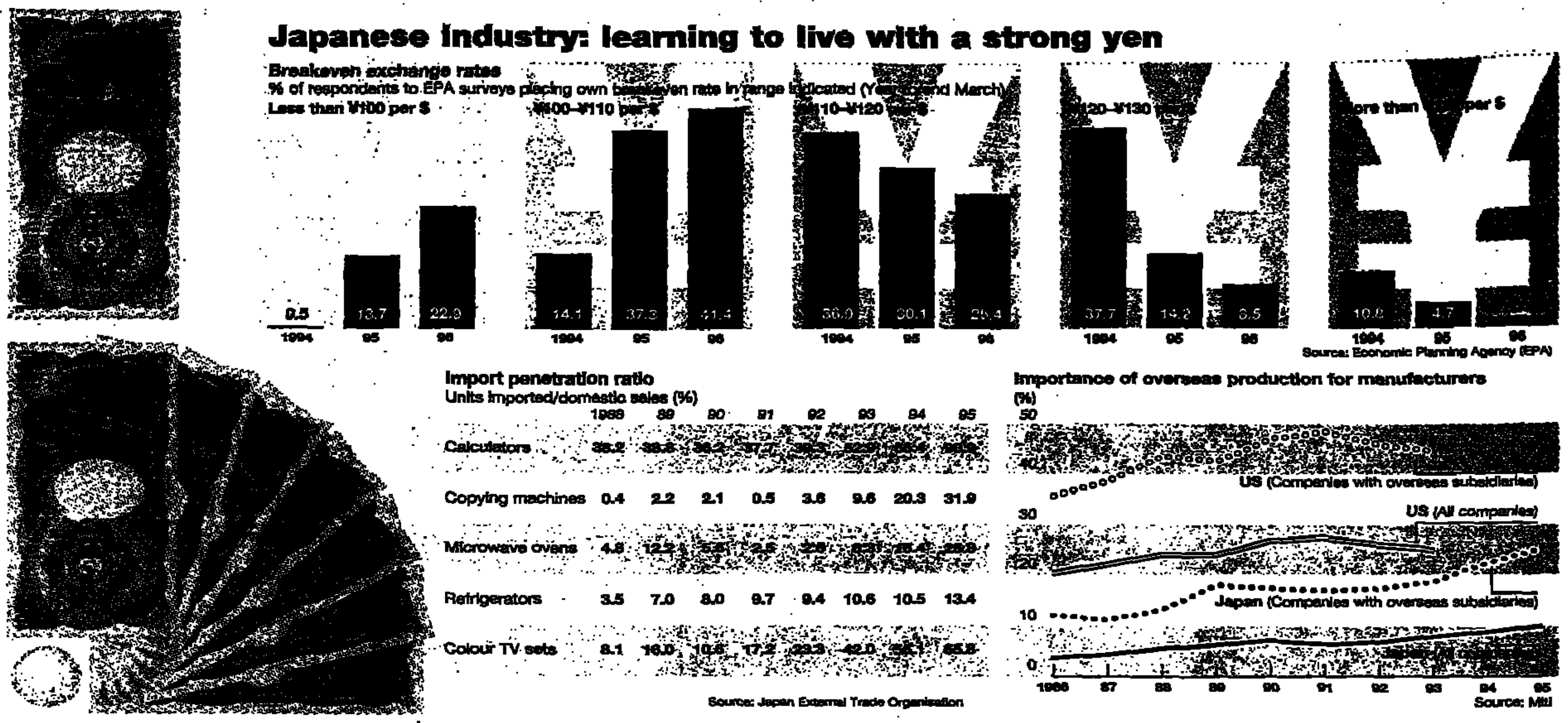
Indeed, the unwinding of the distortions created by decades of regulation and administrative guidance may, in the short run, have the opposite effect. It will need to be accompanied by a dose of bankerly caution and by recapitalisation or closure of the weakest Japanese financial institutions if it is not to contribute to instability.

A second motive appears to be the belief that Tokyo has lagged behind other financial centres and that the yen may lose status when Europe's single currency is introduced. The first of these fears is undoubtedly true, and mirrors the motivation for London's Big Bang a decade ago. But it is at best a partial justification for reform.

A far more powerful argument is that Japan's own citizens will profit from a more efficient and competitive financial system. There would be more confidence in the Japanese government's commitment to deregulation, if it appeared prepared to make this case forcefully to the public. Only by building wider public support for reform - in this and other sectors of the economy - will the government be able to steer it through against inevitable opposition.

That process will be made more difficult by the constraints the government's fiscal position imposes on its ability to buy off opposition in the traditional way. The government's minority in the Diet is also a handicap. Still, Mr Hashimoto's political skill in getting early agreement from his more conservative colleagues to such a far-reaching set of proposals should not be underestimated. He begins his second term with an encouraging symbolic commitment to a faster pace of reform.

Even though the individual elements of the proposal may be delayed or frustrated, this public signal of a change of direction will have practical effects on the way the Japanese financial system operates. After all, the US has still not implemented reforms to its Glass-Steagall act, separating commercial and investment banking; nearly two decades after they began to be seriously proposed. Yet many of the same effects have been achieved in other ways. Old habits die hard; but new ideas, once publicly endorsed, find ways around them.



A yen for appreciation

Japan's manufacturers have less to gain from further devaluation than many competitors believe, writes William Dawkins

When Japan's finance ministry suddenly reverses its policy and says the yen has fallen far enough, it must be feeling pretty confident about the Japanese economy.

That is what happened last Thursday when Mr Eisuke Sakakibara, a senior ministry official known as Mr Yen for his decisive part in talking down the Japanese currency to help the feeble economy over the past 18 months, said enough was enough.

The dollar had risen to almost Y114, more than 40 per cent higher than its record low of Y79.75 in April last year. At this level, the foreign exchange markets were too pessimistic about Japan's economic prospects, Mr Sakakibara argued.

Currency dealers took Mr Yen at his word. By yesterday, the dollar had dropped just over 2 per cent - to roughly where it was three years ago.

The move brought relief to Japan's trade competitors, some of which had accused the finance ministry of plotting a competitive devaluation. But it will also be welcome to some of Japan's biggest international companies which have been suffering from the weakening yen.

At first sight, those companies - which have led every economic recovery since the 1973 oil shock - have made large increases in their competitiveness under the temporary shelter of a weak currency. Almost 90 per cent of the top manufacturing exporters claim to be profitable at anything from less than Y100 to Y120 to the dollar according to a recent survey by the government's Economic Planning Agency; two years ago, only just over half thought they could survive such exchange rates.

Even more impressive, 23 per cent say they can now break even at less than Y100 to the dollar, once widely considered the line between life and death for Japanese exporters. In 1994, a mere 0.5 per cent thought they could be profitable at that level.

This increase in competitiveness comes thanks to a typical Japanese process of continuous improvement which began well before the yen shot up to its 1995 record high, threatening to pull Japan into a full-scale depression.

Much of it comes from cost-cutting at home. But the main part of that improvement has been the wholesale shift of manufacturing capacity to cheaper and faster growing locations in east Asia.

Entire industries have moved offshore. Ten years ago, for example, Japan was the world's largest producer of pocket calculators. Now it imports 90 per cent of its calculators, mainly from Japanese offshore plants.

Japan used to be the world's largest producer of colour televisions. Two years ago, it became a net importer of colour TVs and now buys two-thirds of them from abroad.

Overall, the proportion of Japan's manufacturing output overseas has doubled over the past decade to 10 per cent, according to the Ministry of International Trade and Industry. This has reduced the exchange-rate risks facing Japanese manufacturers and allowed them to repatriate significant profits when the yen is weak.

Japan's multinationals have gained from the recent devaluation of the yen - as can be seen most graphically in the motor industry. If the exchange rate stabilises at around Y110 the Japanese car manufacturers will on average more than double their profits this year and increase market share in the US and Europe, predicts Mr Matthew Ruddick, analyst at James Capel Japan.

Toyota, for example, quadrupled net profits in the six months to September. Operating profits at 5.5 per cent of turnover in the current year are more than three and a half times as fat as two years ago.

This revival allowed Toyota to cut the US prices of its Lexus luxury car and Camry saloon in the autumn, at a time when the US Big Three car manufacturers have been obliged to raise prices to bolster their profit margins.

Electronics companies are the other obvious winners from a cheap yen. For example, Sony's operating profits in the six months to September grew by less than a quarter in currency-adjusted terms, but by three-quarters when exchange rate gains are added.

Exchange-rate gains helped Matsushita, Japan's largest consumer electronics company, raise operating profits by 60 per cent in the first half. Like Toyota, it has used some of the windfall to fund cuts in prices of some of its most price-sensitive products, in this case video and CD players.

Against this background, it might appear odd that many of Japan's exporters now support measures to stop the yen's plunge. Their concern is simple and revealing. The cost of imports rises as the yen falls. These companies have shifted so much production offshore since the yen last stood at this level that losses on imports back to Japan have, for the first time, become a problem.

Matsushita, for example, is Japan's largest importer of televisions. Mr Yoichi Morishita, the company's president, recently admitted the yen's fall had driven up the price of imports from its offshore plants and argued that a rate of between Y95 and Y100 to the dollar would be "proper". Never before has the boss of such a large Japanese company called for a stronger yen.

Other offshore manufacturers have taken the logical step of bringing some production back to Japan. Toyota has said its Japanese plants will start making its Scepter Wagon and Coupes for the US market in December, the first time these models will be made in Japan. Honda followed by announcing that production of its Accord Wagon will move from the US back to Japan next autumn.

Some electronics companies have gone the same way - none more so than Aiwa. The consumer electronics group was once considered a model for Japanese manufacturing industry, with almost 90 per cent of its production outside Japan.

Now it has smartly reversed its strategy. Over the past year, Aiwa has reduced imports from 90 per cent of Japanese domestic sales to a mere 30 per cent. It has turned to domestic Japanese suppliers for the balance.

Also pressing for a stronger yen are those industries that depend on imported raw materials - an important point in a country so short of natural resources as Japan. Their costs have been forced up by the weaker yen.

Steel companies, for example, have had to contend with a 15 per cent rise in the cost of imported coal and iron ore in the first half of this fiscal year. Oil distributors have seen their profits collapse over the same period because of the unhappy conjunction of a rise in imported crude costs and a fall in petrol prices.

There is thus broad support among Japan's manufacturers for the finance ministry's call for a less weak yen. But the economy at large has not yet recovered enough to justify a rise in the currency back to anything like the Y70 to the dollar it reached in 1995.

Although gross domestic product increased by 4 per cent in the first half of the year, growth has since fallen off again. Most economists believe Japan is settling down to a medium-term growth rate of around half that.

In this maturing economy, only the elite of companies which sell largely into faster growing foreign markets have cause to celebrate. Most companies rely on the domestic market and are struggling, at least on the evidence of their latest financial results.

The 450 which have so far reported on the six months to September managed to increase pre-tax profits by a mere 8.8 per cent over that period - a fraction of the more than 40 per cent growth shown in the same period last year. The service sector, traditionally the Japanese economy's weak spot, continues to suffer weak domestic demand and high costs.

Small companies, without the benefit of foreign earnings, are collapsing at more than 1,000 per month. And the smaller banks and finance companies continue to bleed cash as they wage the long fight to dispose of bad property-related debts.

A reminder of just how far they have to go came with the recent liquidation of Nichiei Finance, a finance house with liabilities of Y990bn, a post-war record. The current record low 0.5 per cent official discount rate, a cause of the yen's weakness, can be expected to continue until the financial sector's walking wounded have taken advantage of low borrowing rates to rebuild their balance sheets.

A wider measure of competitiveness, unit labour costs, shows that if anything the gap between Japan and its main competitors has widened. According to the Organisation for Economic Co-operation and Development Japan's unit labour costs - adjusted for currency changes - are 42 per cent higher than those in the US. Four years ago, they were only 10 per cent higher.

Government bureaucrats and private-sector economists agree that the Japanese economy needs to increase its growth capacity. And the main challenge is to proceed more vigorously with the economic deregulation needed to reduce Japan's notoriously high business costs such as land, energy, transport and wages.

So long as deregulation continues to be cautious, world-beaters such as Toyota and Sony will be the exceptions to the Japanese norm of slow growth. If the exchange rate reflects economic fundamentals, it is likely to rise at a similarly slow pace.

OBSERVER

Serrated edginess

■ David Feldman, the Irish auctioneer, has enjoyed a long relationship with the Treskilling yellow, the rare Swedish stamp sold for $2.3m on Friday.

Feldman first sold it in 1984 for just under [illegible]. He sold it again in 1990 for $2.2m, when he dubbed it the most valuable object in the universe based on weight. Unfortunately the price set in 1990 wasn't the best guide to the stamp's worth as the buyer couldn't come up with the money. So the Treskilling yellow has been sitting in Feldman's collection for the past six years.

Feldman's auction career has had its ups and downs. At the height of the last stamp boom he teamed up with Geza von Hapsburg, great-great-grandson of Austria's Emperor Franz Joseph, to form an auction house to challenge the likes of Christie's and Sotheby's. By 1989 it had sales of SFr120m and was the world's fourth biggest.

The idea was to mix the Archduke's old world savoir faire - he had run Christie's Geneva office for years - with Feldman's financial skills. Soon the two diversified into auctioning old masters and impressionists. But Geza von Hapsburg - known in the trade as the "Great Geezer" - and Feldman fell out over future strategy; the auction house disappeared after Feldman quit.

Since then he's concentrated on doing what he does best - selling stamps. Let's hope this time the buyer actually stumps up the cash ...

Vintage kosher

■ Winemakers at Castel Boglione in southern Piedmont have recently finished the vendemmia (grape harvest); this year promises to be a fine vintage.

That's good news for those members of Britain's Wine Society who are faithful clients of Araldica Vini Piemontesi, a large consortium of co-operatives based in the village, with 2,000 hectares of vineyards in the surrounding hills. Music, too, to the ears of orthodox Jews - for Araldica is Italy's number one kosher wine producer and bottler.

About 1m of the 6m bottles produced annually are kosher, and of that nearly 90 per cent goes to the US. With its kosher output doubling over the past five years, Araldica has kept Italy's small Jewish community increasingly busy, for in order to qualify for kosher certification, wine-making and bottling can only be carried out by practising orthodox Jews - a requirement that does not apply to other kosher products.

Sweet white wine used to be the kosher tipple in New York, but it is now losing ground to red Barbera d'Asti. Cheers - or rather l'chayim.

Dictator choice

■ As Cuba's dictator-president Fidel Castro flew into Santiago at the weekend - to attend the 6th summit of Ibero-American heads of state - Chile's own former dictator-president, General Augusto Pinochet, made sure he was safely away from the capital, busily engaged on military exercises in the distant Atacama desert.

Accompanying him was the naval chief, Admiral Jorge Martinez Busch, and the head of the air force, General Fernando Rojas Vender. Like Pinochet, they were keen to avoid having to salute or escort the communist leader.

All of which reluctance to turn the other cheek might appear to be somewhat uncharitable, particularly as no lesser figure than Pope John Paul II says he's now ready to receive the ageing communist.

After Santiago, Castro is expected to visit Rome this week, to attend a summit of the UN's Food and Agriculture Organisation. If he asks for an audience with the Pope, "he will be received" says Vatican spokesman Joaquin Navarro-Valls.

There's a lot at stake. Castro has never seen the Pope but perhaps more important the Vatican's inveterate collector of trunk labels has never visited Cuba, the only Latin American state he hasn't seen. So a photo-op handshake looks like an odds-on certainty.

Happy hours

■ The sound of chinking glass and loud toasts is no doubt wafting across the rooftops of the Qinchi distillery in China; it's just won the most coveted five second advertising slot on China Central Television (CCTV), according to the Beijing Youth Daily newspaper.

The distillery is clearly on a roll; it also won the slot (which comes directly after the evening news and is watched by hundreds of millions) last year. This year it literally bid a telephone number - its own - sum, 321,211,800 yuan ($38.7m). Demand for the four minutes, 40 seconds of prime-time advertising is so fierce that the state broadcaster auctions it in five-second slots. Companies that bought the so-called "golden time" ads in 1995 reported sales increases of up to 600 per cent. Not quite telephone numbers - but good enough.

Financial Times

100 years ago

Famine in India

A reassuring telegram from Madras announces that the dangers of the threatened famine in India are somewhat exaggerated. The afflicted area is at present restricted to the ceded districts, where tentative relief works have already been started. Should the monsoon fail altogether, which is not yet certain, the districts round Madras would suffer, as they would be dependent on tank irrigation. One the other hand, the crop failures in some of the Northern districts are exaggerated, and there are good harvests in the Southern districts of Malabar and Kanara.

50 years ago

France's Problems

Far from resolving the country's problems, the recent voting in France seems only too likely to make confusion worse confounded. How, from the contending parties, can be formed that strong and stable Government which is essential to the economic and financial well-being of the Fourth Republic, is not at all clear. France has done much, by toil and sweat, to increase her production, yet she has not achieved political stability.

FINANCIAL TIMES
Tuesday November 12 1996

Greece makes start on $2.1bn rail link renewal

By Kerin Hope in Athens

Greece's state-owned railway company, OSE, has appointed an international consortium of consulting engineers to manage a Dr500bn ($2.1bn) EU-backed project to modernise its main north-south rail line after half a century of neglect.

The consortium is led by Halcrow, the UK engineering group, and includes Obermeyer of Germany, ILF of Austria and Metrotech, the Greek financial consultants.

Because of past delays in disbursing EU funds, due to the inefficiency of the Greek public works ministry, the European Commission has insisted that the government appoints international managers for large infrastructure projects. Rail modernisation has made little progress since its launch two years ago.

Grants from EU structural funds will cover up to 70 per cent of the project, the first big investment in Greece's rail network since rebuilding after the second world war. The remainder will be financed by the country's public investment budget.

"The rail system operates much as it did at the turn of the century," says Ms Christina Issaia of OSE's planning office. "Road building took priority in transport policy, and until recently governments ignored the energy-saving and environmental advantages of rail transport."

Greek companies trading with the EU use road transport almost exclusively because of high costs and time-consuming unloading and reloading on the rail network. Goods carried by rail from Patras, the main gateway for trade with western Europe, have to be reloaded in Athens because the northern and southern lines have different gauges.

The Athens-Thessaloniki line is of standard international gauge, while the southern line linking Athens with Corinth and Patras is narrow gauge and cannot be used to transport containers.

The five-year project focuses on electrifying and laying double track on the 500km Athens-Thessaloniki line, with the aim of cutting more than 90 minutes off the current six-hour journey. The cost, which includes two new tunnels through the foothills of Mount Olympus in northern Greece, is estimated at Dr250bn.

Although this line is Greece's main rail link with central Europe, only a 60km stretch between Thessaloniki and the border with the former Yugoslav republic of Macedonia has been electrified. The timetable slipped partly because of a sharp fall in international passenger and freight traffic caused by the war in Bosnia and UN sanctions against Serbia.

The project also calls for improving a branch line from Thessaloniki to the Bulgarian border, an alternative route to central Europe, and linking it with the Aegean port of Kavalla, expected to become an important outlet for trade with the Black Sea countries.

In southern Greece, the 100km Athens-Corinth line is to be upgraded from narrow to standard gauge at a cost of Dr98bn, which includes construction of a new bridge over the Corinth canal.

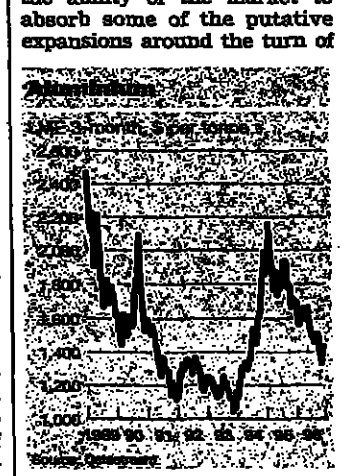
Aluminium 'may face slump' as capacity expands

By Nikki Tait in Sydney

The world aluminium market could be heading for another big slump at the turn of the century as expanding smelter capacity pushes up stocks and drives down prices, according to an industry research firm.

A report by AME Mineral Economics of Sydney warns that if announced projects go ahead, the years 2000 to 2003 may be "a virtual replay" of 1990-93, when aluminium prices fell to eight-year lows and prompted big producer countries to agree a memorandum of understanding to cut production. "We are now at the point where announced capacity expansions over the rest of the decade are already likely to lead to another aluminium slump early in the next decade," the study says.

"This puts some doubt on the ability of the market to absorb some of the capacity expansions around the turn of



the century announced for India and the Gulf region."

AME argues that the 1994 agreement had "more impact on market sentiment than market balances" and suggests the surplus was cleared by a jump in primary consumption largely due to buying ahead of anticipated production cuts.

The report says the Brussels agreement did slow capacity increases but suggests that prospects for world growth and aluminium consumption have "materially worsened" since the end of 1995.

It forecasts that primary aluminium consumption will grow at 3.2 per cent a year from 1996 to 2000, then slow to 2.8 per cent between 2001 and 2005, with much higher consumption in Asia offset by very modest growth in countries belonging to the Organisation for Economic Co-operation and Development.

It sees an average 1997 price of 70 cents per pound, only slightly higher than in 1996, and a "price peak" of 73 cents in 1998 before rising stocks begin to push prices down.

Commodities, Page 28

Deutsche Telekom

Continued from Page 1

still carry a 5.7 per cent gross yield, comparable to current long-term bond yields. At a price of DM25, the shares would carry a gross yield of 6.8 per cent. Private German investors are traditionally risk-averse, and are mostly biased in favour of bond and real estate investments. The government hopes the Telekom share sale would induce German savers to include shares in their portfolios.

US investors, by contrast, appear more concerned about the company's future earnings and share price performance than the dividend yield.

Deutsche Telekom yesterday reaffirmed its goal of keeping a balance between German and international investors. The new shares are to be distributed in proportionate amounts to retain the balance.

Stet offer put back and merger unveiled

Continued from Page 1

deadline until June 1997. However, with France Télécom due for privatisation in the spring, Mr Ciampi argued that the next "window of opportunity" would be in the autumn. It seems Mr Van Miert only accepted this argument with great reluctance.

It is now expected that the Italian treasury will buy Iri's holding in Stet. The treasury purchase, which could cost some L12,000bn, is the solution favoured by Mr Van Miert.

However, the centre-left government remains far from united on the idea of the privatisation treasury taking full control of Stet. This would radically reduce the role of IRI in the Italian economy and in political patronage.

Yesterday, shares in Stet rose almost 3 per cent to L6,530 in recognition that the merger would enhance the holding's value. In contrast TI's shares fell 5 per cent to L3,438. Shares in Telecom Italian Mobile (TIM), the mobile phone company 57 per cent owned by Stet, were virtually unchanged following indications that in the new structure it would not be de-merged. Stet's share of TI's assets were valued in 1995 at L11,721bn, and its share of TIM's assets at L545bn.

As a pledge of Italy's commitment, Mr Ciampi also announced yesterday he had instructed IRI to proceed with the sale of its 33 per cent stake in Banca di Roma, Finmare, the shipping company, and the state-run motorway network.

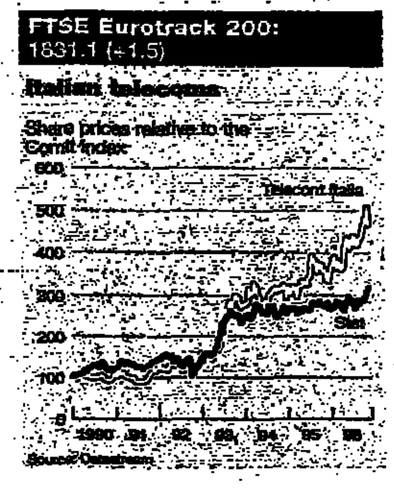
THE LEX COLUMN

Japan's Big Bang

The notion that Tokyo could lose its status as one of the world's big three financial centres may seem fanciful. But it has scared Japan's new government into a serious attempt at financial deregulation. Many of the measures in the reform package announced yesterday, such as the abolition of fixed stockbroking commissions, are overdue attempts to catch up with New York and London. But Japan is trying to go further. Letting banks, brokers and insurance companies compete in each others' markets would leapfrog the US, which has so far failed to remove the distinction between investment and commercial banking. And internationalising Japan's tax, legal and accounting systems would enhance transparency and encourage foreign investors.

Of course, talking about reform and enacting it are very different. The proposals would lead to job losses as weaker institutions such as second-tier securities houses and undercapitalised trust banks went bust or were forced to merge with the stronger "city" banks. That will make the plans unpopular and hard for the minority government of Mr Ryutaro Hashimoto, the prime minister, to push through.

Deregulation would also allow foreign companies to win more business in Japan. And it would curtail the role of the powerful finance ministry. But if the government succeeds in creating a top division of financial institutions that can compete worldwide and are as profitable as they are big, the pain will have been worthwhile.



Stet/Iri

Italy has finally come up with a half-good plan for privatising its telecoms industry: Stet, the state-controlled telecoms conglomerate, and Telecom Italia, which runs the country's fixed-line network, are to be merged. Stet already owns most of Telecom Italia (TI), but its shares trade at a big discount to the sum of its parts. Merging the two groups should remove some of this holding company discount, so unlocking value for the government and other Stet shareholders.

But for the plan to be really good, Italy should do two further things. First, as the European Commission suggests, the government should immediately take control of Stet from Iri, the near-bankrupt state industrial holding group. Not only would that recapitalise Iri without breaching European state aid rules but it would also hasten the break-up of Iri, whose main role seems to be to hand out subsidies to other bankrupt public-sector groups. Second, Italy should completely demerge Telecom Italia Mobile (TIM), the separately-quoted mobile network, by transferring Stet's stake in TIM to its shareholders. That would unlock further value for Stet shareholders.

Italy may worry that demerging TIM would delay telecoms privatisation. Far from it. TIM shares would be extremely easy to sell, as international investors are already enthusiastic followers of the stock. Indeed, the government could even sell them in March, when Stet's privatisation was originally scheduled.

UK electricity

With one US bid for British regional electricity companies on the table and a second possibly on the way, investors are naturally anxious that either bid could be blocked. Given the government's shambolic regulatory record, the worry is understandable. But for what it is worth, it would have no good reason to do so.

For a start, the regulator does not need independent companies to do his job. On its own, an ownership change does not deprive him of comparative efficiency data; only a merger, of which there has been just one in this sector, does that. All a bid removes is a share price, which helps give cost of capital data. But for this there is little disadvantage in using other utilities' figures instead.

The other worry is the sub-investment grade rating of CalEnergy, which is bidding for Northern Electric. Yet this concern can almost certainly be dealt with by effective ring-fencing. And even in the most extreme scenario – that CalEnergy went bust – Northern Electric, with its healthy cashflow, would presumably just be sold to someone else. Customers need not suffer.

Of course, in politics even cast-iron logic does not amount to a prediction. But this merely underlines – yet again – the need for the government to make the rules of the utility takeover game clearer. Its present unexplained, case-by-case dithering results in not only bidders but also utility shareholders being exposed to wild and completely unnecessary risks. It is lousy government.

British Steel

The good news for steelmakers is that the worst is behind them. Destocking, which contributed to a sharp fall in European steel production, appears at an end. Growth is slowly picking up, and prices are following. After a 45 per cent fall in the first half, stainless steel prices have risen by 5-7 per cent over the past three months.

Alas for British Steel, sterling strength is likely to obliterate any gains from improved volumes and prices. A pound now buys DM2.50 compared with less than DM2.20 a year ago. And four-fifths of British Steel's sales are into Europe, so sterling strength is a significant dampener on turnover. Most of the impact will only be felt next year, given the lag effect of long-term contracts and the fairly recent nature of sterling's spurt. The management can trim costs further, but the reality is that its best efforts will be required simply in order to stand still.

While the end of the destocking cycle may have removed the bear case for the shares, the exchange rate has extinguished the bull scenario. Earnings for the full year will be less than half the 1995-96 record, and the outlook for 1997-98 is little better. With net cash of £703m, the dividend looks secure. But investors would still do better to look at Usinor Sacilor; assuming full year earnings of £550m, or 18p a share, for British Steel, its shares are trading on a forward price/earnings multiple of 9.5 times, a 30 per cent premium to its French competitor.

Additional Lex comment on BAA, Page 23

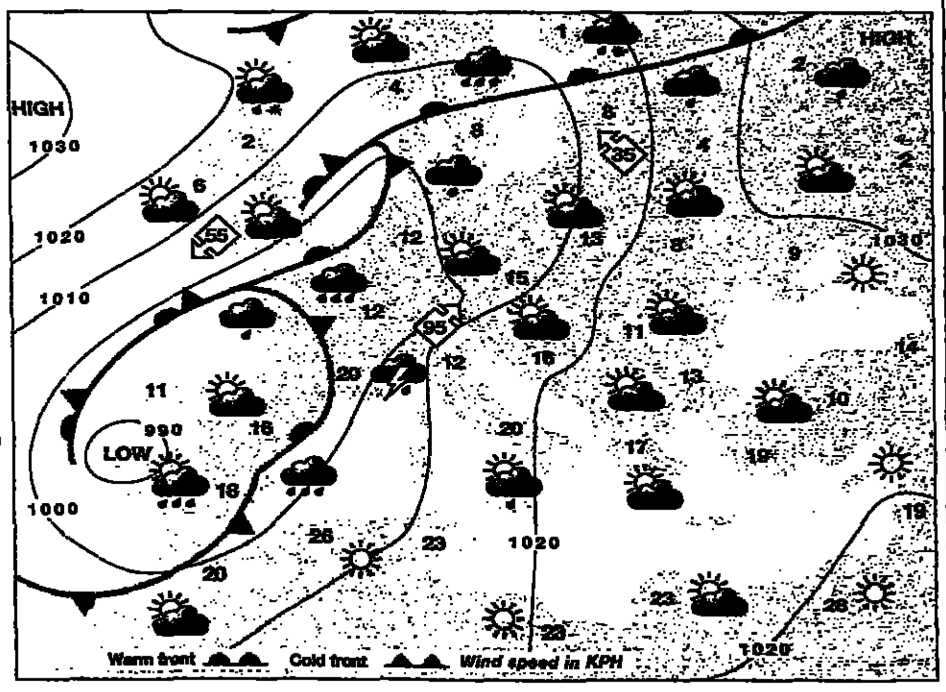
FT WEATHER GUIDE

Europe today

Very unsettled conditions are likely in southern France, northern Italy and the Alps.
A complex low stretching from Spain to Denmark will bring a strong north-easterly flow of cool air over the British Isles, causing wintry showers.
Along the eastern side of the low, a southerly flow will force air over the Alps, causing strong to locally severe thunderstorms.
Over the higher Alps, wind speeds will rise to 95kph.
Except for the Ukraine, Europe will have very little sunshine.

Five-day forecast

The difference in conditions between eastern and western Europe will become more marked as low pressure stretches from Gibraltar to Finland.
In western Europe, temperatures will drop and frequent showers will occur.
In eastern Europe, temperatures will rise. There will be very unsettled conditions over Italy and France.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Beijing	sun 5	Caracas	shower 30	Faro	shower 17	Madrid	rain 12	Rangoon	fair 32
	Celsius	Belfast	shower 7	Cardiff	shower 10	Frankfurt	rain 14	Majorca	cloudy 21	Reykjavik	cloudy -2
Abu Dhabi	sun 28	Belgrade	fair 15	Casablanca	rain 19	Geneva	thund 12	Malta	fair 22	Rio	fair 32
Accra	cloudy 30	Berlin	cloudy 12	Chicago	cloudy 1	Gibraltar	shower 15	Manchester	shower 9	Rome	shower 21
Algiers	sun 26	Bermuda	cloudy 24	Cologne	shower 13	Glasgow	fair 7	Manila	thund 31	S. Frsco	fair 20
Amsterdam	rain 12	Bogota	shower 20	Dakar	fair 30	Hamburg	rain 11	Melbourne	cloudy 22	Seoul	fair 9
Athens	cloudy 18	Bombay	sun 32	Dallas	fair 21	Helsinki	sleet 1	Mexico City	fair 21	Singapore	shower 32
Atlanta	fair 11	Brussels	rain 12	Delhi	sun 28	Hong Kong	shower 28	Miami	fair 25	Stockholm	rain 6
B. Aires	fair 23	Budapest	shower 15	Dubai	sun 28	Honolulu	fair 29	Milan	thund 12	Strasbourg	shower 14
B.ham	shower 9	C.hagen	rain 9	Dublin	shower 7	Istanbul	cloudy 14	Montreal	cloudy -4	Sydney	fair 24
Bangkok	fair 35	Cairo	sun 28	Dubrovnik	shower 19	Jakarta	fair 31	Moscow	rain 4	Tangier	rain 16
Barcelona	shower 18	Cape Town	fair 18	Edinburgh	sleet 7	Jersey	rain 10	Munich	cloudy 10	Tel Aviv	sun 28
						Karachi	sun 30	Nairobi	shower 27	Tokyo	cloudy 18
						Kuwait	sun 28	Naples	cloudy 19	Toronto	snow -1
						L. Angeles	sun 25	Nassau	fair 26	Vancouver	rain 13
						Las Palmas	fair 25	New York	fair 5	Venice	shower 12
						Lima	cloudy 20	Nice	thund 20	Vienna	shower 17
						Lisbon	shower 14	Nicosia	sun 24	Warsaw	cloudy 14
						London	fair 11	Oslo	sleet 2	Washington	sun 6
						Lux.bourg	shower 11	Paris	rain 11	Wellington	shower 15
						Lyon	thund 13	Perth	fair 24	Winnipeg	fair -9
						Madeira	shower 20	Prague	cloudy 14	Zurich	shower 11

FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1996 Tuesday November 12 1996

IN BRIEF

Schering pre-tax profits up 54%

Schering, the German pharmaceuticals company, announced a 54 per cent rise in pre-tax profits to DM527m ($350m) in the first nine months, following strong sales growth in foreign markets and favourable exchange rates. Group sales rose 12 per cent to DM3.8bn while operating profit rose 7 per cent to DM481m. Page 19

Deutsche Bank escapes $370m payout
Deutsche Bank escaped having to pay about $370m to buy out shareholders of a Norwegian company in which Mr Peter Young, the bank's disgraced fund manager, had secretly built a majority share. Page 18

Teva reports 16.4% sales rise
Teva, Israel's largest pharmaceuticals company, reported a 16.4 per cent rise in sales for the first nine months of the year after making a significant breakthrough in European markets. Sales increased from $581.1m in the first three quarters of last year to $676.1m. Page 19

BAA profits rise to $500m
BAA, the British airports group, announced pre-tax profits up 3.4 per cent to £304m ($500m) for the six months to September 30. The figure was reduced by £11m following changes in the structure of airport charges following new inter-governmental agreements and discussions with airlines. Page 22

Advertising growth supports Emap
A rise in advertising revenues helped Emap, the British-based media and exhibitions group, put aside its recent boardroom controversy to lift half-year pre-tax profits before exceptionals by 34 per cent to £50.6m ($83m). The total £164.1m ($33.9m) pre-tax outcome included £113.5m profit from the sale of its regional newspaper business. Page 23

Cuban cobalt production at new high
Cuba's production of nickel and cobalt this year has already surpassed the previous record high and is on track to reach 50,000 tonnes or more, according to Cuban officials. Nickel/cobalt exports earned Cuba more than $300m last year. Page 28

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			Synergetics A	7.75	+ 1.25
Rises			Falls		
Herlitz	176.0	+ 6.5	Ostwest Gth A	12.9	- 0.7
Holzmann	412	+ 12	Motoren Dorton	7.9	- 0.6
Kali & Salz	182	+ 9	**TOKYO (Yen)**		
Preussag	375.0	+ 5.05	Rises		
Schmalbach Lub	320.0	+ 12.5	Green Cross	529	+ 12
Falls			Ono Pharm	3680	+ 180
Vlag	580	- 7	Falls		
NEW YORK ($)			Isuzu Motors	596	- 20
Rises			Kawasaki Kisen	304	- 12
[illegible] Micro	25¼	+ 2	Nippon Sharyo	1070	- 30
PHH	48	+ 1¾	Yokogawa Elec	1020	- 50
Stat Societa	38⅝	+ 2⅛	**HONG KONG (HK$)**		
Triton En	49⅞	+ 2¼	Rises		
Falls			Great Eagle	25.25	+ 0.35
Burgen Bruns	28⅛	- 4⅛	HK Telecom	13.7	+ 0.8
[illegible]	39⅝	- 2⅛	Sino Land	9.35	+ 0.4
LONDON (Pence)			Falls		
Rises			Chinese Est H	7.05	- 0.2
Aviva Pet	40½	+ 8	HK & S Hotels	13.8	- 0.25
Babcock Intl	61½	+ 7	Sth Ch Mrn Pst	7.25	- 0.15
Caldece Village	117½	+ 12	**BANGKOK (Baht)**		
Clinton Cards	163½	+ 18	Rises		
My Kinda Town	187	+ 20	Asian Sea Fd	53.50	+ 4.75
Falls			Klang Huat	39.25	+ 3.50
Racal	260	- 21½	Loxley Publ	238.00	+ 20.00
TORONTO (C$)			Watana Kan	29.00	+ 2.50
Rises			Falls		
Alpanet Tel	16	+ 2	Charoen	81.00	- 9.00
Equitable Fin	18.3	+ 1.3	Thai Telephone	49.25	- 5.25
Newsapprop	43.25	+ 2.3			

New York and Toronto prices at 12:30. Paris closed.

US acquisition to dent figures as chairman warns of exposure to disasters

Munich Re faces profits decline

By Andrew Fisher in Munich

Profits of Munich Reinsurance, the world's largest reinsurance group, could show a slight decline this financial year, partly because of dilution from its $3.3bn acquisition of American Reinsurance last August.

Mr Hans-Jürgen Schinzler, the chairman, also warned yesterday of the possibility that more natural disasters might occur than in the recent past. Munich Re would be particularly exposed if Europe was hit by powerful storms as in some previous winters.

"This could be a year of pausing for breath, although at a very high level," he said. Munich Re lifted net profits by 83 per cent to DM556m ($395m) in the financial year to June 30, 1996.

The shares fell DM65 to DM3,730.

Munich Re has already announced a rise in the dividend from DM13.50 to DM16 a share. Earnings per share more than doubled from DM67.60 to DM140. The group's investment assets rose 8 per cent to DM120bn.

Mr Schinzler said he was surprised at the extent of the profits increase after predicting a year ago that earnings were likely only to be maintained. Motor and liability insurance business had been better than expected.

Munich Re had also not had to pay out on any catastrophes, he added.

In recent years, the group has concentrated more on profitability than premium volume, shedding unprofitable and high risk business.

Gross premium income was unchanged at DM29bn – with DM19bn in reinsurance and the rest in direct insurance – but would have been DM900m higher if the D-Mark had not strengthened.

The underwriting result had improved by more than DM1.5bn over the past four years, he said. In 1995-96, it moved from a loss of DM100m to a profit of DM573m.

Profits and synergies from American Re, which earned $97m in the first half of 1996, would show through in 1997-98 after consolidation, he predicted.

Next year would also see the full impact of the deal with Allianz, the German insurance concern, under which Munich Re is taking full ownership of DKV, the country's leading health insurance company in which it previously had a big minority stake.

Mr Schinzler said Munich Re was still keen to expand in France but saw no acquisition possibilities.

Asked about the group's 25 per cent shareholding in Allianz, which has the same percentage stake in Munich Re, Mr Schinzler said that there was no intention of changing this.

The companies had close traditional links and Munich Re's investment, worth about DM15bn, produced a good return.

In any case, if any sale did take place, more than half of the proceeds would go in capital gains taxes, Mr Schinzler noted.

Dominion call for bid talks rejected by utility

By Jane Martinson in London

Dominion Resources, the US utility, has called for a meeting with East Midlands Electricity to discuss its proposed takeover bid, worth more than £1.2bn ($1.95bn). However, sources close to the regional electricity company said it would not meet the Virginia-based group until it had raised its offer to a "realistic" level.

When Dominion announced that it was considering a takeover bid last Wednesday, it said that it did not want to offer much more than 608p. East Midlands' shares closed at 603½p yesterday.

East Midlands last night reiterated that any offer close to 608p a share, which would value the company, based in Nottingham, in the UK Midlands, at £1.2bn, was "not worth talking about".

Mr Angelos Anastasiou, utilities analyst at Panmure Gordon, the London brokers, said he expected Dominion to offer close to 650p as an opening gambit. "At about 700p it gets serious," he added. At such a level East Midlands would be worth £1.39bn.

Dominion's advisers said the group wanted to meet Sir Nigel Rudd, East Midland's chairman, and the rest of the executive team before making a final decision. The group has not ruled out a hostile offer or simply walking away.

Mr James Dobson, utilities analyst with Donaldson, Lufkin and Jenrette, the US investment bank, said a cautious tone was typical of Dominion, which has been considering a bid for East Midlands for several months. "This is the biggest deal they've done. They're not going to be rushed into it." The group, valued at $6.6bn, has never made a hostile bid.

A recommendation could also help head off the threat of a reference to the Monopolies and Mergers Commission, the UK regulatory authority, by either Offer, the industry regulator, or the UK government.

Dominion gained the approval of the US regulator to launch the bid last month. It had some disagreements with its own regulator two years ago and would not want to repeat these difficulties.

Lex, Page 16

Directors seek limit on election to boards

By William Lewis in London

Chief executive officers and senior executives of US public companies should not hold more than two other public company directorships, a report to be published today by the National Association of Corporate Directors recommends.

It will also say that people without executive jobs should not hold more than six public company directorships and that boards should consider limits on the time directors can serve "in order to obtain fresh ideas and critical thinking from new board members".

The recommendations of the NACD report, "Director Professionalism", are intended to improve the effectiveness of US companies' boards.

Compliance is voluntary but parts of previous NACD reports on corporate governance have been implemented by US companies.

Last year, the NACD recommended that US directors should be paid largely in stock and get no company pension. According to Professor Charles Elson of Stetson University College of Law, who is one of 30 members of the NACD so-called Blue Ribbon Commission: "A majority of the largest corporations in the US have either adopted these recommendations in full or in part."

Prof Elson predicts that "Director Professionalism" will "have a substantial impact on board behaviour". Copies were to be sent to the Hampel committee, the successor body to the Cadbury committee currently examining corporate governance in the UK.

"By reducing the number of boards people can sit on we are forcing individuals to focus more on their responsibilities," Prof Elson said yesterday. Mr Ira Millstein, senior partner of Weil, Gotshal & Manages LLP, the law firm, and chairman of the commission, said: "It is no longer enough for boards to be passive advisers and questioners. Boards must also be active participants and decision makers."

Other NACD recommendations include:

- Boards should designate a non-executive chairman or "independent board leader to direct the most critical board functions", including periodic evaluations of the chief executive officer.
- An independent committee to oversee the board's governance responsibilities should be set up, including monitoring board performance goals.
- Independent directors should "fill the substantial majority of board seats". Directors should avoid, or disclose, any business relationship that might be seen as compromising independence.

Florida Panthers in share issue

Allsport
Market goal: Ben Skrudland, a star forward for the Panthers

Wayne Huizenga to sell 49% stake in US ice hockey team

By Patrick Harverson in London

The Florida Panthers, one of the youngest but most successful professional ice hockey teams, is to issue shares on the US stock market this week. The $73m offering could pave the way for other North American sports franchises to go public.

Mr Wayne Huizenga, the Florida-based businessman, is selling 7.3m shares in Florida Panthers Holdings, 49 per cent of the company, to investors at $10 a share. Under the rules of the National Hockey League, he has to retain a majority holding in the team.

More than half of the shares have been earmarked for private sale to Mr Huizenga's business associates and Florida-based investors. But 2.3m shares will be sold to the general public when the shares go on sale tomorrow. The stock will be listed on the Nasdaq over-the-counter market under the symbol PUCK.

Although professional sport has long been big business in the US, the Panthers will become only the second publicly-traded franchise in the country. The Boston Celtics of basketball, floated in 1986, was the first.

Teams in the country's biggest sport, American football, are not allowed to go public on the stock market, but franchises from other sports may soon be tempted.

Two weeks ago, Mr George Steinbrenner, owner of the New York Yankees, said he might list the new baseball world series champions.

Mr Ron Castell, senior vice-president of marketing at Republic Industries, Mr Huizenga's latest investment vehicle, said yesterday: "I understand that other people in the NHL are talking about it."

He said Mr Huizenga was taking the Panthers public because local businessmen had persuaded him to give ice hockey fans in south Florida an opportunity to buy a stake in their team. Last season the Panthers made it to the NHL championship finals in only their third season.

Mr Huizenga paid the NHL $50m in 1993 to set up Florida's first ice hockey franchise. But despite the team's early triumphs, the business has never made money.

Last year, it lost $25m on revenues of $33m, which the Panthers put down to high start-up costs and the fact that the franchise was unable to earn money from concessions at the small arena it rented in Miami.

The Panthers are confident of making money within two years when the team moves to a new $185m stadium near Fort Lauderdale.

The arena will be owned by the local municipality but the Panthers will have a 30-year management contract enabling it to earn ticket, advertising, sponsorship, and concessions income from all events held at the stadium.

Colt Telecom set for public offering

By Nicholas Denton in London

Colt Telecommunications, the three-year-old US-owned venture which provides cut-price services to companies in the City of London and Frankfurt, is to float within the month in a deal set to give it a market capitalisation of about $450m.

The expected price – which would value the lossmaking company at a multiple of about eight times current annual revenues – confirms the high valuations commanded by local access providers challenging incumbents such as British Telecommunications.

The offering, aimed at investors in the UK and US, begins next week with an American roadshow. It is expected to raise about $110m to finance the planned expansion of Colt's network of high-capacity fibre-optic cables in other European cities. Presentations to UK investors will take place from November 25, with trading beginning soon after.

Outside investors will take about 25 per cent of Colt's enlarged share capital. Fidelity, the US fund manager which set up Colt and still owns it, will see its holding diluted to less than 75 per cent.

The shares will be listed on the London Stock Exchange and – by means of shadow securities known as American Depositary Shares – quoted on the US's Nasdaq market.

Fidelity has hired Morgan Stanley, the US investment bank, to act as global co-ordinator. Dresdner Bank's Kleinwort Benson subsidiary has been appointed joint sponsor for the London listing.

Fidelity – on its own account rather than on behalf of clients – founded Colt in 1993 to replicate a highly profitable involvement in Teleport, a US local access provider.

Colt's revenues – £22.5m ($36.7m) in the nine months to September – give it barely 2 per cent of the London business market, but most analysts expect strong growth.

Shanghai B-shares hit low

By Sophie Roell in Beijing

Shanghai's foreign currency B-share index fell to another record low yesterday, closing at 44.68 – against its December 1993 high of 105.78.

Analysts were pessimistic about a turnround for a market that has been in the doldrums for nearly two years. B-shares are the only domestically listed securities in which foreigners can invest. However, confidence in the market has been undermined by the dismal earnings of listed companies and the failure of regulators to add big and well-run companies to it.

Some brokers cautiously predict an improvement as the end of China's credit squeeze translates into improved corporate earnings. Others insist there are structural problems that will have to be addressed before there will be a substantial upturn in investor sentiment.

Topping the list of broker complaints is the government's selection of listing candidates, which has given cash-starved and badly managed state-owned enterprises priority over more buoyant sectors of the economy such as joint ventures. Illiquidity has also been a big issue as most of the companies selected for listing have been small.

The poor performance of the B-share index contrasts with that of the A-share index for domestic investors. Shanghai's A-share index has more than doubled this year.

Divide deepens, Page 8
World stocks, Page 38

Deutsche Bank escapes $370m payout

By *Hugh Carnegy in Stockholm*

Deutsche Bank last night escaped having to pay about $370m to buy out shareholders of a Norwegian company in which Mr Peter Young, the bank's disgraced fund manager, had secretly built a majority stake.

The Oslo Stock Exchange ruled that Deutsche Bank did not have to comply with local rules which oblige any shareholder holding 45 per cent or more of a listed company to make an offer to the other shareholders, on the grounds that the 51 per cent shareholding in Sysdeco, a software company, was split between the parent bank and its subsidiary, Morgan Grenfell Asset Management.

Mr Young, fired by Morgan Grenfell for alleged multiple irregularities in his management of unit trust funds, had invested heavily in Sysdeco and a number of other little-known Scandinavian high-tech stocks.

But the size of the Sysdeco stake, divided between different investment vehicles allegedly set up by Mr Young to disguise the extent of his holdings, was unknown to Sysdeco, the Oslo bourse or Deutsche Bank until his operations were investigated in September.

The bourse said Morgan Grenfell had broken its disclosure rules during Mr Young's build-up of Sysdeco shares in September last year, and criticised it for poor control of its asset management activities in Norway. It urged Norway's financial supervisory authority, Kredittilsynet, to report the affair to the police.

But in a decision bound to anger other Sysdeco shareholders, the bourse accepted Deutsche Bank's argument that the shareholdings of the parent and the asset management subsidiary should not be treated as a consolidated shareholding.

"The reason is the requirement for 'Chinese walls' [between Deutsche Bank and Morgan Grenfell Asset Management]," the stock exchange said.

Deutsche Bank was relieved by the ruling. Mr Young's heavy buying helped push up Sysdeco shares to more than NKr210 early this year, before they started to slide. If the bank had been forced to buy out the other shareholders, it would have to have paid the highest price the bank itself paid in the six months before it hit the 45 per cent limit.

Yesterday, Sysdeco shares closed at NKr16.80 – before the bourse ruling was published.

Deutsche Bank has already reduced its Sysdeco stake to 47.4 per cent.

It said last night that it would reserve its position for some time on what to do with its remaining shares.

Mediaset sees debts gone by year-end

Mediaset, the Italian television and advertising group, expected to eliminate its net financial debts by the end of 1996, said Mr Fedele Confalonieri, chairman, reports Reuter in Venice. The debts stood at L285bn ($187m) at the end of June this year.

Mr Confalonieri, speaking at a convention in Venice, said that in the first 10 months of the year, business at Publitalia, Mediaset's advertising arm which accounts for 90 per cent of its turnover, grew 6.5 per cent.

This was a growth rate which "we expect to maintain until the end of the year," Mr Confalonieri said.

In October the advertising agency reported a record monthly turnover of L377bn, equal to an annual growth rate of 30 per cent. September also saw an increase of 16 per cent, he said. In the first six months of the year, Mediaset's consolidated turnover was L1,675bn, with a pretax profit of L497.4bn.

Mr Confalonieri also said that if Mediaset did not have the chance to compete for a proposed third licence to manage a PCN mobile-telephone service in Italy, it would not rule out an interest in second licence-holder Omnitel or state-controlled telecoms company Stet, whose privatisation is expected in late 1997.

"Omnitel would be one of the opportunities we might consider, but that would be considered at the time," he said.

Asked if that would mean taking a stake in Omnitel's largest shareholder, Olivetti, he replied this was true, but added there had not been any talks with Olivetti's largest shareholder, Mr Carlo De Benedetti.

"Then there's the privatisation of Stet," he added. "But it's all fluid, the only certainty is that in the future there will be convergence between television, telecommunications and information," he said.

Kvaerner to cut costs as profits dive in third term

By Tim Burt in London

Kvaerner, the Norwegian shipbuilding and engineering group, yesterday announced a NKr1.1bn ($174m) cost-cutting programme following a sharp fall in third-quarter profits.

The company – reporting pre-tax profits down from NKr327m to NKr145m in the three months to September 30 – hinted that more than 1,200 jobs could go as part of the reorganisation.

Mr Erik Tonseth, chief executive, outlined the planned savings after describing Kvaerner's third-quarter and nine-month figures as "horrific".

In the first nine months, Kvaerner's pre-tax profits fell from NKr1.93bn to NKr851m despite an 80 per cent increase in sales to NKr39.7bn, from NKr22.1bn. Earnings per share fell from NKr32.13 to NKr14.17.

"This year's aggregated results are not satisfactory," said Mr Tonseth. "But we are taking firm action to improve those businesses which are underperforming."

Most of the job cuts are expected in the group's energy and pulp and paper divisions, where the company is seeking some NKr700m of savings.

Further savings are likely following the integration of Kvaerner's back-office functions with those of Trafalgar House, the UK conglomerate acquired for £904m ($1.47bn) earlier this year.

Mr Tonseth predicted savings of NKr200m from reorganising the group's head office, which has been relocated to London, and another NKr200m from merging activities such as sales and marketing.

While refusing to disclose the likely costs of the reorganisation, he hinted at possible provisions against Kvaerner's fourth-quarter figures.

Nevertheless, the group's B shares closed up NKr2 at Nkr232 after Mr Tonseth said the Trafalgar House integration was proceeding to plan and that order prospects were encouraging.

Some analysts suggested the rising share price also reflected relief that the figures were not worse.

Of the group's six core operating divisions, shipbuilding represented the bulk of the nine-month profits – even though its contributions fell from NKr991m to NKr750m.

Mr Tonseth said shipbuilding would remain the engine of Kvaerner's growth "for several years" – adding that its performance was satisfactory given the yard closures and bankruptcies among its European competitors.

Shipbuilding overshadowed maiden nine-month contributions of NKr73m from the process engineering division, the former John Brown subsidiary inherited from Trafalgar.

It also offset a sharp reduction in profits from NKr163m to Nkr24m in the oil and gas division and losses of NKr24m at the former Trafalgar construction businesses. The UK conglomerate's former metals division, meanwhile, contributed gains of NKr54m.

In pulp and paper, however, losses deepened from NKr70m to NKr199 – which Mr Tonseth described as a "big headache".

Nevertheless, the pulp and paper division showed signs of improvement by reducing its losses to NKr83m in the third quarter, a reduction of NKr205m compared with the second-quarter deficit.

He vowed to offset such losses by pushing ahead with Kvaerner's non-core £1bn disposal programme, which was unveiled at the time of the Trafalgar acquisition in March.

The company declined to put a firm timetable on the disposals and again refused to give any details on the future of Cunard, the loss-making cruise line which came with Trafalgar House.

As a whole the businesses earmarked for disposal contributed profits of NKr173m – although like Cunard, the energy activities were "still heavily burdened" by losses.

Lydia van der Meer

Erik Tonseth: described Kvaerner's results as 'horrific'

Pechiney arm loses patent case

By David Owen in Paris

A US district court jury has awarded $102m in damages against American National Can, a subsidiary of Pechiney of France. The verdict could have a significant bearing on the aluminium and packaging group's 1996 results.

The award follows a patent infringement lawsuit brought by Viskase Corporation, a unit of Envirodyne Industries. This alleged that ANC had infringed a number of Viskase patents relating to plastic films used for fresh red meat, processed meat and poultry product applications.

Confirming the decision in a statement, Pechiney said the "definitive amount" of the award would now be fixed by the court, which could possibly raise it to up to three times its current level.

But it said ANC would seek to have the decision annulled or at least to have the sums involved revised downwards.

Any award decided by the court would appear in the company's 1996 accounts.

The development comes at an awkward time for the group, which has already made clear it will fall into the red this year after provisions for a sweeping programme of cost cuts. This will result in about FFr2bn ($393m)in restructuring costs, a part of which is to be provisioned in the current year.

The programme is expected to lead to a reduction of between 4,000 and 5,000 in the company's 37,000 worldwide staff and a 17 per cent cut in its wage bill.

The aim is to cut costs by FFr4bn, or 20 per cent of overall costs excluding raw materials, by the end of 1998, in order to put the company's earning capacity on a footing with that of its strongest competitors.

In September, the group reported a near 30 per cent decline in first-half net profits, from FFr608m to FFr426m.

Nearly half the 26 per cent fall in operating margins was attributed to a decline in the performance of the company's international trade division. This had performed exceptionally well in 1995.

Roussel Uclaf halts shipments to US

By Sarah Althaus in Frankfurt

Roussel Uclaf, the quoted French subsidiary of Hoechst, the German chemicals group, confirmed yesterday that an Italian unit had halted shipments to US customers of three active ingredients used in the manufacture of generic versions of antibiotic drugs.

The French group said the voluntary recall by the unit, Biochimica OPOS, was made after discussions with the Food and Drug Administration, the US regulator, about production processes at the plant where the ingredients are manufactured.

Roussel Uclaf declined to estimate the cost of the recall of the products, which generated sales of about $60m in the US in the first nine months of this year.

It stressed that the problem was related to the administrative side of the production process and that the FDA had found no problems with the quality of OPOS products. The recall therefore did not affect production in progress in the US or finished products using OPOS ingredients.

The ingredients involved – cefaclor, minocycline and clindamycine phosphate – are shipped in bulk to US generic drugs groups which complete production into pills or injectable products.

Roussel Uclaf said it was also voluntarily withdrawing its abbreviated antibiotic drug applications for the three substances marketed in the US. Revised applications would be filed as soon as possible.

EUROPEAN NEWS DIGEST

Russian bank to issue ADRs

Inkombank is likely to become the first Russian bank to issue American Depositary Receipts to foreign investors after winning the central bank's approval for the move. The bank will join a growing list of Russian enterprises, including the giant Lukoil and Gazprom energy concerns, which have sought to improve the liquidity of their shares by bundling them up into ADR form and allowing them to be traded abroad. Almost all the Russian companies which have issued ADRs have seen a significant rise in their share price as foreign investors find it easier and safer to buy their shares.

Inkombank, one of Russia's biggest commercial banks, will allow up to 3 per cent of its shares to be traded in ADR form. It has already received permission from the US Securities and Exchange Commission to issue level-one ADRs but will have to present more detailed financial information before it can attempt to raise fresh capital on the US markets. *John Thornhill, Moscow*

German bank merger hitch

Mr Gerhard Schröder, prime minister of the German state of Lower Saxony, said he would only give his blessing to a merger between Nord/LB, the Hanover-based bank, and the banking group Bankgesellschaft Berlin (BGB) if such a move, which would create Germany's second largest bank in terms of balance sheet assets, respected the equal stature of both institutions.

"I will not accept anything without absolute parity," Mr Schröder told Der Spiegel magazine. Mr Schröder's demands appear to mean that the name of the merged institution would have to reflect its constituent parts and that its headquarters would be split between Hanover and Berlin. His remarks also suggest that Lower Saxony would not support a merger plan under which Nord/LB was simply embedded in BGB's complex holding structure, which already includes three banks.

Political support is essential for a merger between Nord/LB and BGB – who have been in talks for some time and already co-operate closely in several fields – as both banks are largely state-owned. Lower Saxony holds 40 per cent of Nord/LB while the city of Berlin owns 56.3 per cent of BGB. *Frederick Studemann, Bonn*

Bank Austria up at nine months

Bank Austria, the country's largest commercial bank, said yesterday that operating profit for the parent company over the first nine months of 1996 reached Sch3.6bn ($340m), up 9.5 per cent on the same period in 1995. The bank said operating income for the period was ahead 4.7 per cent to Sch13.3bn. Costs for the first nine months were up 2.9 per cent year-on-year, to Sch9.7bn.

Continuing merger and closure of branches was the basis for consequent cost-cutting by the bank, which in the third quarter of 1996 closed its 50th branch since its formation in 1991.

Customer debt to the bank over the first nine months of 1996 reached Sch396.3bn, up 6 per cent from a year ago. The bank owed its customers a total of Sch316.1bn, of which Sch160.7bn was in savings accounts. The bank provided no outlook for the full year, but Mr Gerhard Randa, the bank's chairman, said a month ago that he expected operating profit for the whole of 1996 to break Sch5bn, compared with Sch4.85bn in 1995. *AP-Dow Jones, Vienna*

KPN told to cut Casema stake

KPN, the privatised Dutch posts and telecommunications utility, is to cut its stake in Casema, the country's biggest cable television provider, from 77 per cent to 20 per cent. The reduction was demanded by the government as a condition for allowing Casema to bid for one of the regional telecoms licences now on offer as part of moves to liberalise the sector.

The company had sought merely to place its cable interests at arm's length by incorporating them in an offshoot called Vision Networks. KPN said yesterday the restructure meant it would no longer have access to information about Casema which was not available to others.

In a separate move, KPN yesterday extended but refused to improve its A$2bn (US$1.58bn) bid for TNT, the Australian parcels group. Acceptances so far have brought it only 20.5 per cent of the company. The new closing date is December 3 for the A$2.45 a share offer, which the group said "in the absence of a bid from a third party, will not be increased". All regulatory approvals had now been granted. *Gordon Cramb, Amsterdam*

Ina may sell UIR to Swiss Re

Ina, Italy's second largest insurer, said yesterday it had begun talks over the possible sale of Unione Italiana di Riassicurazione, the largest Italian reinsurance group with annual premium income of L1,500bn ($989m), to Swiss Re.

Ina, which has been gradually privatised since 1994 and has life and risk business as its core activities, had said previously that it did not consider the Rome-based UIR, of which it owns 98 per cent, as among its strategic interests. *John Simkins, Milan*

ABB buys GEC meter arm

Asea Brown Boveri, the Swiss-Swedish electrical engineering group, has bought the electricity meter division of GEC, the UK engineering company, for an undisclosed sum. GEC Meters, based in Stone, Staffordshire, has annual revenues of $48m and employs about 700 people. The company will form part of ABB's power transmission and distribution division. *Peter Marsh*

Indupa stake changes hands

Indupa, Argentina's top PVC producer, said yesterday that Belgium's Solvay had agreed the purchase of a 12.89 per cent stake in the Argentine firm from Petroquimica Bahia Blanca. Indupa also said it had closed the deal to sell its shares in Petroquimica Bahia Blanca to Dow Chemical of the US and Argentina's YPF. Indupa had also closed the sale of its Petropol plant for $115m to Polisur, controlled by Dow Chemical. *Reuter, Buenos Aires*

Astra launch frequency to rise

Mr Haakan Mogren, chief executive of Astra, the Swedish pharmaceutical group, said he expected US Food and Drug Administration approval for the asthma treatment Pulmicort Turbuhaler around the end of 1996. "[Whether the decision] comes before or after the new year is difficult to judge, but we reckon it will be around this point in time," he told a meeting of analysts, the Swedish news agency Direkt reported.

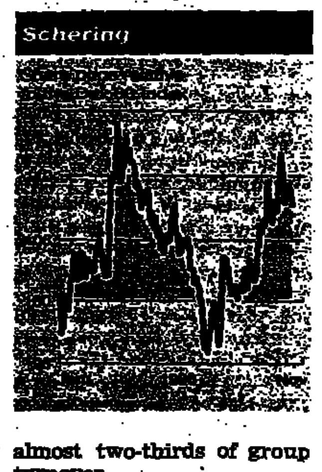
Mr Mogren said the company planned to increase the frequency of new product launches to an average of three a year. Next year's launches are expected to included those of Pulmicort Turbuhaler in the US and of the local anaesthetic Naropin in several markets. Other important launches would include the asthma treatment Oxis Turbuhaler, high blood pressure treatment Actacand and impotence treatment Muse. *AFX News, Stockholm*

■ Mr Martin Kohlhaussen, Commerzbank chairman, has been appointed president of the German banking association. With effect from March 17 next year, Mr Kohlhaussen will replace Mr Karl-Heinz Wessel, who has been president since 1994. *AFX News, Cologne*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

Schering ahead 54% as overseas sales surge

By Frederick Stüdemann in Berlin



Schering, the German pharmaceuticals company, yesterday announced a 54 per cent rise in pre-tax profits to DM527m ($350m) in the first nine months, following strong sales growth in foreign markets and more favourable exchange rates.

Mr Giuseppe Vita, chairman, said the result had exceeded the company's expectations. Group sales rose 12 per cent to DM3.8bn while operating profit rose 7 per cent to DM481m.

The increase was flattered by Schering's poor performance in 1995, when the company had to withdraw one of its high-profile products, the contrast media drug Isovist 280, which was used for X-rays.

The company said it might raise the dividend from DM1.55 to DM2. The results were in line with expectations and the shares closed down 15 pfennigs at DM124.10.

The increase in sales was largely attributable to growth in the US and Latin America. On the product side, therapeutic drugs saw the strongest increase in sales, rising 15 per cent to DM1.17bn.

The biggest sales generators remained diagnostics and contraceptives and hormone therapy, which together accounted for almost two-thirds of group turnover.

In the therapeutics business, sales of Betaferon, an innovative treatment for multiple sclerosis in which Schering has invested much of its money and expectations, rose 36 per cent to just under DM400m.

However in the US, where the drug is sold under the name Betaseron, sales were roughly the same as in the first nine months of 1995 reflecting the arrival of a competing drug made by Biogen, the US company.

The growth of Betaferon sales has also been hampered by the high cost of the drug. In the US, treatment costs about $10,000 a year, while in Europe it is more expensive. Cost has been a noted brake on the development of Betaferon treatments in the UK.

Contraceptive and hormone therapy drugs, traditionally one of Schering's strongest business areas, saw an 11 per cent increase in sales. In Latin America sales growth was particularly strong; in Brazil alone, sales increased 25 per cent.

The contraceptive and hormone division was also strengthened by a series of acquisitions. These include the Finnish company Leiras, which makes hormone drugs for women, and the east German company Jenapharm, which makes contraceptives and in which Gehe, another German drugs group, holds a 25.1 per cent stake.

Mr Vita said that as well as expanding Schering's product range, the Jenapharm acquisition, which was approved by the European Commission in September, gave the company access to new markets in eastern Europe.

In September, Schering signed an agreement with the Danish company Novo Nordisk to co-operate in the development of contraceptive and infertility treatments for both men and women.

The company said a cost-cutting programme had already proved beneficial, though this was not yet fully reflected in the operating profits figure as the third quarter still carried DM60m in restructuring costs.

Telepizza raises Pta10.3bn from share offering

By Tom Burns in Madrid

An initial public offering of 45 per cent of Telepizza, Spain's leading fast-food company, has realised Pta10.3bn ($81m) after record demand allowed the company to price the issue at Pta2,300, at the top of the pricing range of Pta2,000-Pta2,300 fixed at the end of last month.

Total demand stood at Pta477bn. Oversubscription was highest among domestic institutional investors, which had been allocated a 15 per cent tranche and bid 154 times the total offered.

The international institution tranche, representing 40 per cent of the offering, was 56 times oversubscribed and the domestic retail tranche, which accounted for 45 per cent of the issue, was 11.7 per cent oversubscribed.

Telepizza, which will commence trading on Madrid's Bolsa tomorrow, was the first Spanish IPO to be aggressively weighted towards the domestic market.

The strong response by domestic institutions reflects the growth of local funds specialising in equities, and indicates that these will be allocated larger tranches in future issues.

In spite of its small size, the Telepizza listing represents a cultural revolution, in part because it belongs to a wholly new sector and is certain to encourage other small family-owned companies on to the market.

Offerings by as many as five family-owned groups, worth Pta25bn, are understood to be in the pipeline, and a further 10 of a similar size are under serious consideration.

The stock is one of the few growth companies on the Spanish market. The company opened its first fast-food business in 1988 and now controls 55 per cent of Spain's home-delivery pizza market.

It plans to be running more than 420 outlets by 1999 – mostly through franchises – of which about 90 will be outside Spain.

Global co-ordinators for the Telepizza IPO were BBV Interactivos, the broking unit of Banco Bilbao Vizcaya, and Merrill Lynch of the US.

Greece pulls in the punters

Foreign groups are moving in as gaming industry is opened up

With its red-tiled roof and marble porticoes, Thessaloniki's sprawling new $110m casino resembles the palace of a Byzantine emperor. It is, however, the creation of Hyatt Corporation, the US hotel chain, and marks the largest foreign investment to date in Greece's tourist industry.

Hyatt is one of six gaming concerns from the US, Australia and Israel to be awarded casino licences since the government opened up the gaming business to private investors 18 months ago. Greek punters have responded enthusiastically, dropping Dr136bn ($571m) at the tables in the first nine months of this year.

Hyatt's international casino arm, Regency Casinos, chose a northern Greek city to launch the first Las Vegas-style resort in Europe. Instead of being a discreet gambling establishment for an exclusive group of "high rollers", the casino, which opened in September, caters for Greeks and foreigners who want a lively night out.

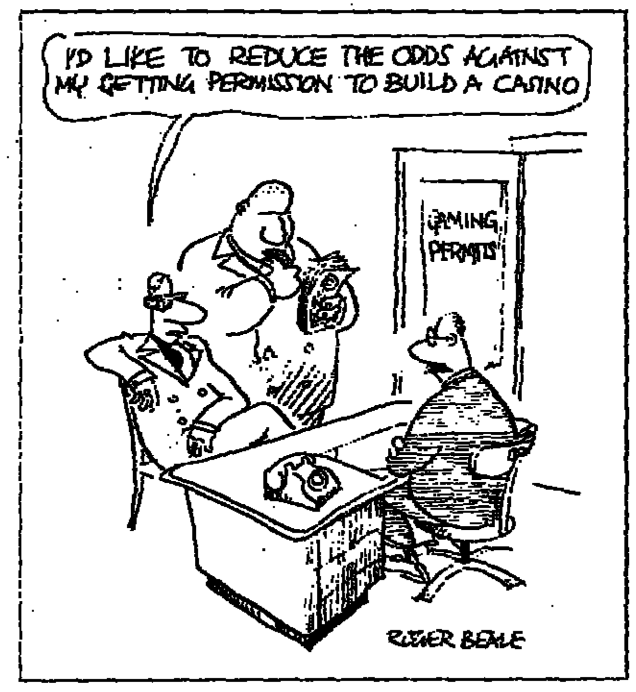
Mr George Galanakis, chairman of Hyatt Regency Thessaloniki, the group's joint venture in Greece, says: "This is not a place just for shipping tycoons. It is intended to provide family entertainment, even for people who usually go to tavernas."

Hyatt set up a joint venture with two Greek concerns, the Laskarides shipping group and Theocharakis, a trading and manufacturing group based in Thessaloniki, which paid Dr14bn for a casino licence in a competitive tender supervised by the government.

The casino, a five-minute taxi-ride from Thessaloniki airport, claims to be the largest in western Europe, with 550 slot machines, 90 gaming tables, three restaurants and a 600-seat theatre. A $40m luxury hotel and convention centre is under construction nearby.

Regency Casinos expect to pull in up to 6,000 punters a day in Thessaloniki. As well as "junket parties" of tourists flown in from abroad, the casino should attract the new rich from Sofia, the Bulgarian capital only a few hours' drive away, and other wealthy east Europeans.

But the majority will be Greeks, whose appetite for betting rivals that of Hong Kong's most avid gamblers. Until recently, however, they had little opportunity to try their luck legally.



The private casinos were intended to replace state-owned casinos in Athens, Corfu and Rhodes from which most Greeks were excluded unless they could provide detailed documentation of wealth.

Government officials calculated they would attract Greek punters away from flourishing networks of illegal gambling clubs, where more than Dr200bn in profits from the underground economy is believed to change hands every year. Income from licence fees and a 20-30 per cent share of the casinos' gross winnings will give a useful boost to budget revenues.

But the government also hopes the casinos will revive Greece's tourist industry, which urgently needs new investment in luxury hotels and resorts to attract high-spending visitors. Licences went to casino operators and their local partners – often construction companies – which offered to build luxury accommodation for visitors to the gaming tables.

But international casino operators and their Greek partners have not had an easy ride. The first new casinos drew so many punters that the government imposed an entry fee, payable at the door, and threatened to reintroduce some of the old restrictions on Greek players.

The number of licences was reduced from 15 to 10 because of local authorities' concern about the social and economic impact of a casino on their region, allegations of irregularities in the tendering process, and pressure from employees of state-owned casinos who faced redundancy.

Mr Christos Vlachos of Eurofin, an Athens-based consultancy which advised several casino operators bidding for licences, says: "Since casino licences are a carrot to subsidise the upgrading of Greek tourism, they should be issued for other major tourist areas like Athens, Corfu and Crete – not just Thessaloniki."

It took several months of lobbying before Playboy Enterprises, the US leisure group, won a licence to open a casino in Rhodes, another important tourist destination. Playboy's Greek partners included a venture capital company controlled by state-owned Commercial Bank, and Mechaniki, a leading construction company. But the project was delayed by fierce opposition from employees at the island's state-owned casino.

A plan for a new casino in Athens, potentially the most profitable in Greece, appears to have collapsed. In April the development ministry cancelled a licence awarded in 1994 to the Athens Casino Consortium, which included four leading Greek contractors and Sun International, the South African gaming group controlled by Mr Sol Koezner.

The Greek-South African consortium had already paid Dr11bn for the licence and planned to invest another $200m to build a luxury hotel and yacht marina next to the casino complex in an Athens seaside suburb. But protests from local residents, together with accusations of impropriety in the bidding process, tipped the balance against them.

The ministry now says the existing casino on Mount Parnes, outside the city, will stay open and that bids to refurbish and manage it will be invited from international operators.

Mr Nick Dandolos, the development ministry's adviser on casino projects, shrugs off criticism that the government's policy switches could drive away investors.

"We can't ignore local sensitivities or go ahead with a process where transparency was in doubt. The new casinos are doing too well for international operators to ignore Greece, even if it's a while before more licences are offered."

Kerin Hope

European acquisitions lift Teva nine-month revenues

By Judy Dempsey in Jerusalem

Teva, Israel's largest pharmaceuticals company, yesterday reported a 16.4 per cent rise in sales for the first nine months, after making a significant breakthrough in European markets.

Sales increased from $581.1m in the first three quarters of last year to $676.1m. This year's figure includes contributions from Biocraft Laboratories, Biogal Pharmaceutical Company and ICI Spa, which Teva has acquired in the past 12 months.

Net income increased from $55.6m in the first nine months of last year – which excludes a $14.9m tax charge for non-recurring merger expenses – to $58.1m. Earnings per American Depositary Receipt (equal to 10 ordinary shares) rose 4 cents to 95 cents.

On the Mishtanim, the top 100 stocks traded on the Tel Aviv Stock Exchange, Teva rose 3.25 per cent, to Shk1,492.26.

Mr Eli Hurvitz, chief executive, said Teva was able to offset pressure on prices in its US business through sales of new products such as Clonazepam, the company's first significant generic product, which was launched on the US market this year.

But Mr Dan Carasso, analyst at UBS, the investment bank, said Teva's growth in the next three years would come mainly from Copaxone, the company's multiple sclerosis drug which obtained approval from the US Food and Drug Administration two months ago.

Teva said yesterday it would also be seeking approval for Copaxone in Israel, the UK and other European Union countries in order to compete with Schering, the German pharmaceuticals group. Schering is already marketing Betaferon, its own multiple sclerosis drug.

Although the US remains Teva's largest market and accounts for half of its sales – which last year totalled $811.3m – Europe is becoming increasingly important.

European sales rose from $14.9m during the first nine months of 1995 to $43m in the same period this year, and now represent 18 per cent of total group sales.

Teva attributed the increase to the consolidation of the three companies acquired in the past year in Hungary, Italy and the UK.

Ebro takes stake in Azucarera

By Tom Burns

Ebro, Spain's leading sugar producer which is controlled by the Kuwait Investment Office, has acquired 21 per cent of Azucarera, the second-largest domestic sugar company in terms of sales, in a move that foreshadows the merger of the two groups.

Ebro acquired its stake from Banco Central Hispano, which sold a 45 per cent interest it owned in Azucarera for Pta19.6bn ($154.6m), booking a capital gain of Pta2bn from the disposal.

The other buyer of the BCH equity is Caja de Salamanca, a savings bank in the sugar beet growing area of northern Spain. It will own 24 per cent of Azucarera.

The acquisition of the Azucarera equity has been orchestrated by the agriculture ministry, which seeks to strengthen the domestic sugar sector by sponsoring the creation of a single large producer controlled by Spanish interests.

At present Ebro controls 54.2 per cent of the sector and Azucarera 21.1 per cent.

The ministry has over the past two years blocked attempts by the French group Générale Sucrière to increase its 20 per cent shareholding in Azucarera, citing strategic reasons.

The government recently used its discretionary powers to authorise the Ebro and Caja de Salamanca equity purchases, on the grounds that the acquisitions would trigger a restructuring of the sector.

This decision overruled a recommendation by Madrid's stock market regulator that the disposal of the BCH stake in the sugar company should take the form of an outright takeover bid, in order to protect minority shareholders.

To ward off criticism that it was intervening in the market, the government pulled out of an earlier agreement to purchase 4 per cent of BCH's equity in Azucarera.

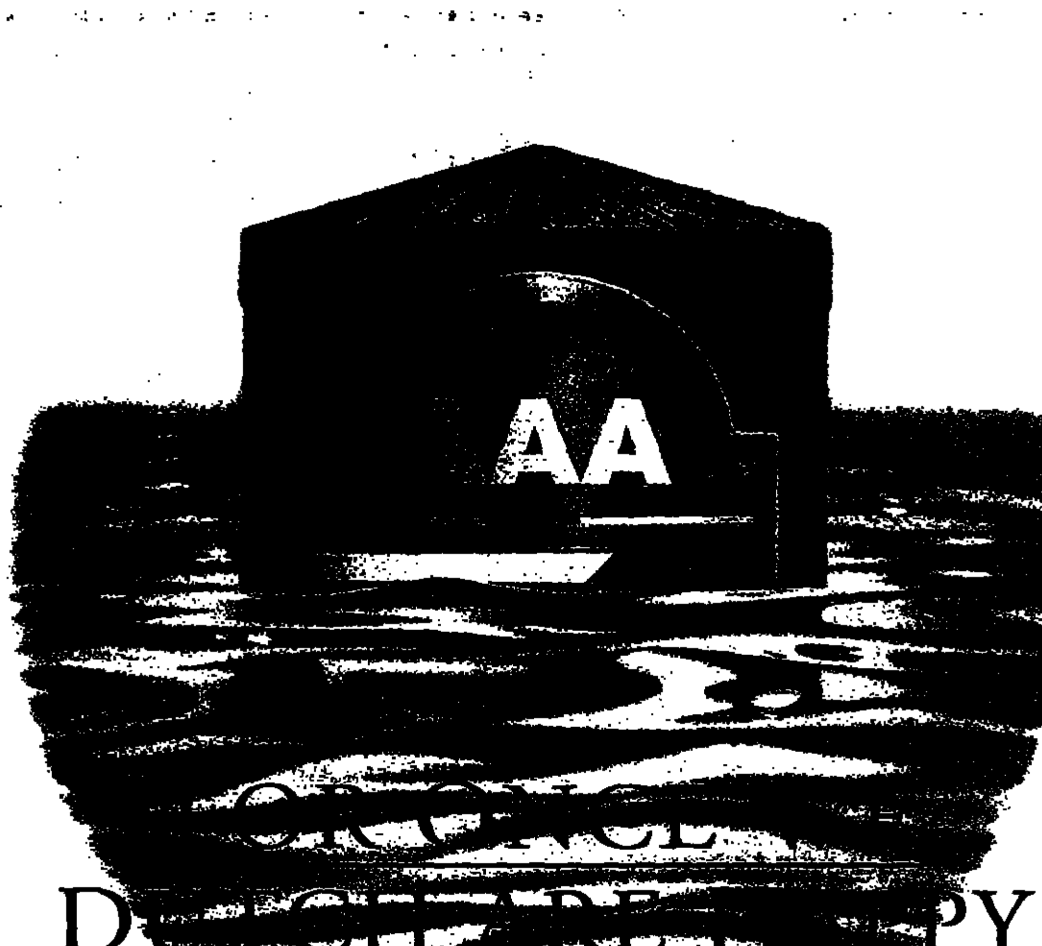
This stake, which will for the present continue to be owned by BCH, was to have been acquired by Mercasa, a state-owned food group that also controls 4.7 per cent of Ebro.

A merger between the two sugar groups would allow for considerable cost savings from rationalising production, as analysts believe that up to five of the two groups' 15 sugar production plants could be closed.

Analysts add, however, that the restructuring of the sector is likely to involve the disposal by the KIO of the 35 per cent stake in Ebro that it owns through its Spanish investment arm, Grupo Torras.

Générale Sucrière is understood to have been assured by the government that it will be allowed to hold a strong minority equity holding in a merged Ebro-Azucarera group.

The controlling shareholders are likely to be the savings banks that are linked to the sugar beet producers, and Banco Santander, the biggest domestic banking group, which owns 15 per cent of Ebro.



CSR profits tumble 20% in first half

By Nikki Tait in Sydney

Tough housing market and falling aluminium prices blamed

Tough conditions in Australia's housing market and falling aluminium prices caused CSR, the building products, aluminium and sugar producer, to post a 20 per cent fall in *first-half profits to A$154.7m* (US$122m).

Sales in the six months to end-September were 5 per cent higher at a record A$3.3bn. But the company is cutting its interim dividend by 2 cents a share, to 12 cents.

CSR also warned that second-half profits were expected to be "considerably lower" than last year's second half and the final dividend could even be less than the reduced interim payout. In the second half of 1995-96, CSR made a net profit of A$126.7m before abnormal items.

The lower second-half outlook was partly due to the return to a "more normal" sugar milling season, CSR said, with virtually all the sugar division's profit falling in the first half. Wet weather in the previous year meant that some cane was processed in the second half.

CSR said first-half profits from its construction materials division fell from A$31.8m to A$23.9m while the building materials side slumped from A$43.8m to A$18.8m. The situation was even more grim at the timber division, which made only A$300,000 compared with last time's A$15.6m.

The company blamed the poor performance on a 19 per cent fall in new housing starts, coupled with low prices across most of its product range. In the timber market, "stiff competition" from imports compounded the problems.

Aluminium profits were 28 per cent lower at A$29m, with a 17 per cent price decline mitigated by hedging. Sugar made A$54.1m, a 41 per cent improvement on 1995-96, which was affected by the weather.

The best performance came from the North American building products business, where profits increased 13 per cent to A$78.5m, and would have been higher still but for unfavourable currency movements.

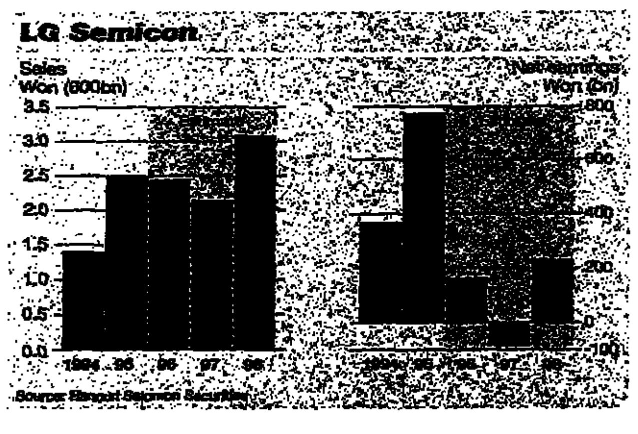
In the face of the difficult trading conditions, Mr Geoff Kells, managing director, said CSR planned to continue its push into new markets and seek internal efficiencies. Over the past 18 months, 44 plants have been closed in Australia and staff cut by 13 per cent.

Mr Kells also suggested that some of the pricing struggles needed to be solved through industry rationalisation. For example, the refined sugar business has been subject to an acute price war and CSR's operations in this division made a small loss during the first half.

● CSR said it was in talks with other sugar producers about rationalisation, adds Reuter. Mr Kells said local sugar companies had told the Australian Competition and Consumer Commission that the current sugar price war was untenable.

LG Semicon shares fall in first full day's trading

By John Burton in Seoul



It may seem strange that LG Semicon, one of South Korea's main semiconductor companies, has decided to issue its initial public offering when the Seoul stock market has hit a three-year low and global prices for memory chips have collapsed.

But the world's seventh biggest producer of memory chips had little choice. Under Seoul bourse rules, a company must have three consecutive years of net earnings to get a listing. LG Semicon is in danger of reporting losses in 1996 and 1997, which would have meant a listing in 2000 if it delayed now.

In its first full trading day yesterday, the share price for LG Semicon fell by its daily limit of 6 per cent to Won29,000 after closing at Won30,800 in a half-day session on Saturday, its opening day. Many analysts believe the share price could soon drop below its subscription price of Won20,000 because of a bleak outlook over the next year.

LG Semicon has been hurt by the protracted downturn in the global market for dynamic random access memory (D-RAM) chips, which account for 88 per cent of its sales.

The price of its mainstay 16-megabit D-RAM has fallen by 70 per cent this year to $10 because of slowing demand and a glut in global production.

Analysts believe that LG Semicon will suffer losses for 1996 unless it extends its depreciation period. Korean chipmakers have adopted an aggressive depreciation policy in the last few years to reduce tax liabilities on what have been record profits.

"We expect it to lengthen the depreciation period for new semiconductor equipment to three to four years from 2½ years," said Mr Jon Chong-hwa of Hannuri Salomon Securities in Seoul. "However, this is unlikely to be effective" in significantly lifting earnings.

Even with a longer depreciation period, analysts predict that 1996 profits will be about Won150bn ($181m) against Won779bn last year. Sales are also expected to fall slightly from Won2,517bn last year.

If this year is bad, next year is predicted to be worse for LG Semicon. Although sales of personal computers, the biggest users of D-Rams, are expected to grow by 20 per cent in 1997, increased chip production capacity, particularly from Taiwan, will likely drive down the price of 16-megabit D-rams to as low as $4.

Mr Uhm Sang-yoong, electronics analyst for BZW Securities in Seoul, warned that the continuing slump in chip prices has coincided with rising financial costs for LG Semicon, reflecting heavy investment.

The company plans to spend Won2,000bn annually on investments, including a new chip plant in Wales, between 1995 and 1997. The investments, representing 90 per cent of annual sales, will raise LG Semicon's net debt/equity ratio from 60 per cent to 200 per cent next year.

Moreover, the fall of the Korean currency against the US dollar will result in foreign exchange losses for the company, since about 50 per cent of its debt is denominated in US dollars.

BZW Securities estimates that LG Semicon will post losses of more than Won200bn in 1997, while Hannuri Salomon offers a more conservative forecast of Won100bn in losses.

Analysts see no quick solution to LG Semicon's problems. It is stepping up production of high-speed memory chips, but profit margins on these are rapidly narrowing. It is also developing technology for advanced liquid crystal displays and more profitable non-memory chips, but these projects are not expected to generate earnings for at least two years.

A balance between supply and demand for memory chips is expected to be achieved in 1998, as the new generation 64-megabit D-Ram becomes the industry standard.

The price war for the 64-megabit memory chip is expected to be fiercer than that for 16-megabit chips.

LG Semicon appears locked in a battle of attrition. "It is too early for the deep-pocketed Korean, Japanese and Taiwanese chipmakers to exit now and they are quite determined to continue their price wars despite plunging earnings," said Mr Jon. "Every company thinks that it will be the final winner in this war."

Australian broker asks for share suspension

By Nikki Tait

Shares in McIntosh Securities, one of the few large Australian stockbroking firms to be owned independently of any big investment house, were suspended yesterday morning amid speculation that the company was about to be acquired by Merrill Lynch, the US-based investment banking group.

McIntosh – which is also one of only two local stockbroking firms to be quoted – asked for the suspension when its shares were trading at A$1.25. At this price, the group is capitalised at about A$91m (US$72m).

Shares in McIntosh had climbed from about 92 cents at the beginning of last week, as rumours of a deal swept the market. More speculation surfaced over the weekend, leading to yes*terday's suspension.*

McIntosh had previously forged links with the UK-based Barings group, after Barings merged its Australian securities operations with McIntosh's institutional broking unit in 1992. The UK merchant bank *acquired a 19* per cent stake in the Australian brokerage and took seats on the board.

After Barings' collapse last year, that stake passed to the Dutch ING group, which bought out much of the UK bank's business. ING still retains the holding.

Meanwhile, a smaller stake – about 6 per cent – in McIntosh has been built up by Malaysia Mining Corporation.

McIntosh has found conditions difficult in recent years. It made a small loss in 1994-95, and has seen various internal management changes.

However, two months ago, the broker *announced* that it had moved back into profit in 1995-96, making a modest A$10m after-tax, compared with a A$7.04m deficit in the previous 12 months.

McIntosh attributed the improvement to better market conditions and said it was looking to increase its share of the private client broking market.

Japanese drug groups ahead

By Gwen Robinson in Tokyo

Japan's pharmaceutical industry reported better than expected profits and sales for the first half to September, in spite of government measures to contain drug costs.

Most drug makers, however, warned that full-year earnings were unlikely to rise substantially because of a second round of government cuts in drug prices scheduled next April.

In the past week, eight of the nine leading pharmaceuticals companies have reported increases in first-half sales and recurring profits, largely because of internal cost-cutting and sales promotions of high value-added drugs.

Takeda Chemical Industries, the market leader, reported a 5.2 per cent rise in first-half unconsolidated sales to Y311.2bn ($2.77bn) and a 12.4 per cent increase in recurring profit – before *extraordinary items and tax* – to Y49.8bn. After-tax profits totalled Y24.1bn, up 12.6 per cent to Y27.51 per share.

The company saw particularly strong overseas and domestic sales of Lupron, a drug to treat prostate cancer. For the full year, Takeda *has forecast recurring profit* of Y97.5bn, up 6.2 per cent from last year, on sales of Y623bn, up 3.5 per cent.

Sankyo, the number two pharmaceutical manufacturer, increased first-half sales by 6.7 per cent to Y220.4bn and recurring profits by 22 per cent to Y53.7bn. Sales of circulatory and respiratory drugs rose 19 per cent to Y85.8bn and accounted for 39 per cent of sales, up from 35 per cent.

Eisai, a leading producer of ethical drugs, reported a 9.3 per cent rise in recurring profit to Y21.1bn and sales up 2.1 per cent to Y128.4bn on strong demand for in-house products, including vitamins and respiratory agents.

The yen's depreciation in the period helped exports of other drug makers, including Dai-ichi Pharmaceutical, Tanabe Seiyaku and Chugai.

Chugai reported a 24 per cent increase in recurring profit to Y14.7bn on sales of *Y88.2bn, up 1.4 per cent* from a year earlier.

Sales of Epogin, a drug which promotes red blood cell production and is one of the company's mainstay products, fell on the April round of drug price cuts. However, the plunge was offset by strong sales of Alfarol, a product to treat osteoporosis.

The company currently has five in-house developed products awaiting government approval.

Fujisawa Pharmaceutical, meanwhile, saw recurring *profit increase* 12 per cent to Y12.1bn, due largely to a Y1.4bn payment from Teijin related to the cancellation of a marketing agreement. The company has estimated full-year recurring profit will reach Y23bn, up 4 per cent.

By contrast, Shionogi, another *leading pharmaceu*tical maker, reported a decline in interim earnings and last week announced a restructuring plan to shed about 1,700 jobs from the total of 6,700 by the year 2000.

In spite of their overall better than expected performance, pharmaceutical makers *face increasing competi*tion from foreign drug companies, which are bypassing indirect sales channels through their Japanese counterparts in favour of direct selling.

Japanese pharmaceutical companies

	Sales		Recurring profit	
	Yn bn	change %	Yn bn	change %
Takeda	311.2	5.2	[illegible]	[illegible]
Sankyo	220.4	6.7	53.7	21.6
Yamanouchi	154.8	6.8	[illegible]	[illegible]
Eisai	128.4	2.1	21.1	9.3
Daiichi	114.7	4.9	[illegible]	[illegible]
Shionogi	113.3	2.7	10.2	-6.7
Fujisawa	111.2	[illegible]	[illegible]	[illegible]
Tanabe	96.4	7.6	8.3	38.4
Chugai	[illegible]	[illegible]	[illegible]	[illegible]

Source: company reports

India launches paperless share-trading system

By Tony Tassell in Bombay

Paperless share trading has finally arrived in India, in one of the biggest structural reforms of the country's capital markets since foreign investment was allowed in domestic shares nearly four years ago.

In a move widely expected to lift foreign investment in the country, the first depositary system in India was launched on Friday by Mr P.C. Chidambaram, India's finance minister.

The National Securities Depository will *now offer* investors an alternative to India's notoriously slow and antiquated settlement system, which is based on the physical transfer of share certificates. The system has been a deterrent to foreign investors, as it can take months to receive delivery of shares and investors often *face the threat of forged or* stolen share certificates.

Analysts said that although the new system would take time to become fully operational, it was likely to prompt many foreign institutional investors to look again at the depressed Indian market.

It is also expected to cut transaction costs and reduce the high premiums of global *depositary receipts over* underlying domestic shares.

Mr Sanjeev Mohta, director at brokers James Capel Batlivala and Karani, said *foreign investors were likely* to take a cautious approach in the short-term while teething problems are sorted out and signs of adequate liquidity emerge.

Eventually, however, it *may cause a sea-change in* the attitude of many foreign investors towards India. "Many foreign investors, particularly Japanese firms, have been waiting for the depository before investing in India," he said.

Brokers say that of the 413 *registered foreign institu*tional investment funds in India, barely 60-80 are actively trading on the market. The brokers hope the depository will swell the pool of active foreign investors.

Mr R.C. Bhave, NSD managing director, said the depository would start with *11 leading stocks. After the* conversion of some shares *on to electronic data systems* – which started on Friday – trading in them will start in the middle of next month. He said a further 20 to 30 shares would be added to the depository by around March next year. This number would then be gradually increased.

The depository, which is a *joint* venture between the National Stock Exchange and *domestic financial* institutions, has also attracted 13 "participants" who will *act as agents for its services.* These include Citibank, Hongkong Bank, Morgan Stanley, Stock Holding Corp of India, and Standard Chartered.

However, Mr Bhave said *it would be at least two to* three years before the depository would be operational to "its fullest extent".

Brokers suggest there will be strong demand for depositary stocks, given the risks *and delays of physical settle*ment and the fact that they will *not attract stamp duty*, as paper-based trading does. This is likely to translate into a pricing premium for depositary stocks over other shares.

This may draw retail investors into the depository. However, brokers said response from most retail investors was likely to be slow, *because of a reluctance* to declare equity holdings to *tax authorities.*

The 11 initial shares on the depository will be: Hindustan Lever, Reliance Industries, Tata Iron and Steel, Larsen & Toubro, Bharat Petroleum, Housing Development Finance Corp, Associated Cement Companies, Industrial Credit and Investment Corp of India, Siemens India, *Indo-Gulf* Fertilisers, and Credit Rating Service *of India.*

ASIA-PACIFIC NEWS DIGEST

Citybus plans listing on HKSE

Citybus Group, which manages franchised and non-franchised buses in Hong Kong, plans to raise HK$355m (US$46m) from a *listing on the colony's stock* exchange. The company is part of CNT group, controlled by Mr Tsui Tsin-tong.

Citybus is planning a public offering of 250m shares at HK$1.42 each. It is fore*casting a profit* of at least HK$113m for the year to December 31, compared with HK$46.46m last year. According *to the company's figures*, this puts it on a pro forma fully-diluted price/earnings multiple of 11.5 times *1996 earnings.*

The new issue represents 25 per cent of Citybus's *enlarged share* capital, and will see CNT's attributable interest diluted from 77.18 per cent to 57.89 per cent. Sponsor and manager of the new issue is HSBC Investment Bank Asia, and trading in the shares *is* due to start on November 29.

Citybus follows a string of spin-offs, *the latest of* which was China Resources' Beijing Land, the China property arm of a mainland conglomerate, which saw its share price soar 71.6 per cent on its debut last Friday to close at HK$4.05.

One of four franchised bus service companies in Hong Kong, Citybus saw passenger journeys on its 58 franchised routes grow 24.5 per cent between 1994 and 1995. On the non-franchised side, it operates 18 residential routes as well as cross-border and contract hire services.

Louise Lucas, Hong Kong

Japanese shipping improves

Japan's large shipping companies continue to suffer from price declines in the liner market, but have managed to improve results through stringent cost-cutting and the weaker yen.

Kawasaki Kisen, one of the big five ship operators, said the yen's rise may have been the greatest contributor to its improvement, as recurring profits rose to Y4bn ($36m) from Y1.5bn.

Japanese shipping operators have also been attacking their costs. Some have streamlined their headquarters and transferred some administration overseas. The fall in rates in the North American liner market and European routes has increased the pressure. Kawasaki Kisen says rates over the past year have fallen between 10 per cent and 15 per cent.

While liner rates are expected to continue falling in the second half, the degree of decline is expected to be more gradual, Kawasaki said.

Michiyo Nakamoto, Tokyo

Brierley eyes investments

Mr Paul Collins, chief executive of Brierley Investments, the New Zealand-based investment group, said yesterday that the group believed that it could probably make two "good investments" a year in Australia and one in New Zealand, in the foreseeable future.

Mr Collins told a Sydney business audience that the group was still approaching investment opportunities in Asia with caution, although the arrival on its own share register of some large Asian investors had "upgraded our presence in the Asian market".

"In total, we could devote at least NZ$1bn [US$709m] to new investment in the next 12 months, while retaining a strong financial position, and without further asset sales," he said.

Nikki Tait, Sydney

Burns Philp upbeat

Burns Philp, the struggling Australian food ingredients group, said yesterday that it was looking to post improved results in the current financial year, and aimed for a 15 per cent return on equity in three to four years. Mr Ian Clack, managing director, told shareholders at yesterday's annual meeting that the return is currently about 7 per cent.

Burns, which made a loss after tax and abnormals of A$61.8m (US$48.7m) in 1995-96 and missed its final dividend, added that it was actively looking for additional directors from outside Australia, who could contribute experience of the global food business.

Nikki Tait

Indian oil group ahead

Hindustan Petroleum Corp, the Indian oil refiner and petroleum distributor, lifted its net profit in the six months to September by 18.5 per cent to Rs3.01bn ($84m), from Rs2.54bn in the same period last year.

Sales rose 17 per cent to Rs81.43bn on the back of a 8.4 per cent increase in sales volume, to 7.39m metric tonnes. HPCL said the sales volume growth compared with an industry average of 6.5 per cent.

Analysts said the results were largely in line with expectations. However, shares in the company firmed *Rs10 to Rs326 as speculators* covered short positions.

HPCL said its joint venture with the Birla group, Mangalore Refineries, *had been commissioned in March* and had received clearance from the Indian government to expand its production capacity from 3m tonnes to 9m tonnes a year. The company is also at an advanced stage of finalising a location for its third joint-venture grassroots refinery project in the state of Punjab. The joint-venture partner for the project will be Saudi Aramco.

Tony Tassell, Bombay

Bergen Brunswig in deal to acquire Ivax

By Lisa Bransten in New York

Bergen Brunswig, one of the largest pharmaceutical wholesalers in the US, agreed yesterday to acquire Ivax, a troubled generic drugs manufacturer, in a deal valued at about $1.5bn.

Ivax, which had been a star performer in the early 1990s, fell on hard times this summer as the prices of generic – unbranded – drugs prices tumbled.

At the close of trading on Friday, its shares were nearly 50 per cent below their year high of $30, after it had reported a loss in the second quarter.

The price of about $12 a share in Bergen stock is well below Ivax's market value at the close on Friday of about $1.9bn, but it comes as the company reported much wider third-quarter losses than the it had warned of in September.

Ivax put its third-quarter loss at $179m, or $1.47 a share, compared with the profit of $27m, or 23 cents a share, it made in the same period last year.

Mr Donald Roden, president of Bergen, said that integration of generic drug manufacturing and distribution would allow higher volumes and lower costs for the companies.

The deal would also expand Bergen's international presence, since Ivax's Norton Healthcare subsidiary is the largest generic drugs company in the UK and serves as a base for operations elsewhere in Europe and in China.

Investors, however, reacted negatively to the news, pushing shares in Bergen down $3¾, or 10 per cent, to $29¼ in early trading. Ivax shares lost $3, or 19 per cent, at $12½.

Mr Mike Krensavage, an analyst at Oppenheimer, the investment bank, said the deal might be the beginning of a wave of consolidations in the generic drugs sector as companies decided they could not survive on their own.

He said Bergen had helped spark the competitive atmosphere in the sector by going directly to companies and offering to guarantee them higher volumes in return for lower prices.

The deal is the first between a large generic drugs maker and a wholesaler, but it parallels similar integration between the big brand-name pharmaceutical companies and distributors. For example, Merck, the largest pharmaceutical company in the US, purchased wholesaler Medco in 1993 as part of a move to increase volumes.

Under the terms of the deal the two companies will form a new company, BBI Healthcare, which will be majority controlled by Ivax holders.

Bergen shareholders will receive one share in BBI for each Bergen share, while Ivax shareholders will get 0.42 share in BBI for their shares.

Buffett group again outstrips S&P 500

By John Authers in New York

Earnings of Berkshire Hathaway, the investment and insurance company run by Mr Warren Buffett, the US investment guru, continued to grow faster than the broader S&P 500 index in the third quarter, according to the company's results published yesterday.

Net earnings per share rose from $163 in the third quarter of 1995 to $218. Both figures, however, include the results of investment gains, which Mr Buffett said were "meaningless" in evaluating the company or charting its progress. Operating earnings per share rose from $127 to $166 over the same period.

Net profits were $264m for the third quarter of this year, including an investment gain of $62.6m, compared with $195.5m for the same quarter last year, which included a gain of $43.2m.

The gains this year arose from the company's investment in Capital Cities/ABC, which was acquired by Walt Disney.

This was the first full quarter since Berkshire issued new, class B shares in a response to demands to broaden its ownership. The results were also affected by the company's decision in January to buy the 49 per cent of the Geico insurance company which it did not already own.

Mr Buffett said: "Though we are pleased that our gain in per-share book value during the first nine months of 1996 outpaced the gain of the S&P 500, the real news at Berkshire this year is the exceptional performance of Geico."

HFS in $1.7bn acquisition

By John Authers

HFS, the New Jersey-based hotel and real estate franchiser which owns the Avis car rental company, yesterday announced it had bought PHH, a vehicle leasing, mortgage banking and corporate relocation agency, in a stock swap valued at $1.7bn.

In the last year, HFS has already acquired two real estate companies – Century 21 and Coldwell Banker – as part of its strategy of expanding beyond the hotel industry, where its brand names include Ramada, Howard Johnson and Days Inns hotels. HFS was already the largest US hotel franchiser.

Coldwell Banker also had a large relocation unit, and the takeover means that HFS now controls two of the three largest relocation businesses in the US.

The PHH deal reinforces HFS's position as the largest real estate franchiser in the US, and the company claimed that savings from synergy would enhance earnings next year.

There had been speculation two months ago that HFS would buy PHH's relocation business, which led to a rise in PHH's share price. Both parties denied at the time, however, that they had been in discussions.

Mr Henry Silverman, HFS chief executive, said PHH was a "perfect strategic fit" and would allow the company to evolve into a global service provider.

He said all three PHH operating units would allow HFS to increase profits. Its mortgage business would be used to offer products to real estate customers at the point when they bought a home, while its vehicle management service would enable HFS to make efficiency savings at Avis.

The deal will also allow HFS to diversify into the corporate sector, away from its retail customer base.

HFS's share price has more than tripled since June last year, but the company has sought to maintain earnings growth by diversifying into sectors outside its core hotels business.

The acquisition is expected to be completed next year. Under the deal, which values PHH at approximately $49.50 a share, 23.2m HFS shares will be issued in exchange for all outstanding PHH shares, of which there are 34.8m.

Analysts reacted positively to the deal, and HFS shares were unchanged in morning trading, despite Mr Silverman's prediction that the company would need to take a one-off charge for the transaction and restructuring costs.

PHH shares rose $17¼ to $48 in early trading.

Goldman Sachs, the US investment bank, has taken on Mr Gerald Corrigan, a former chairman of the New York Federal Reserve Bank, as a partner and managing director, writes John Authers in New York. He will co-chair Goldman's risk committee and join the commitments committee.

US lawyers turn to fraud-busting

In murder mysteries, getting rid of the body is the biggest problem. Fraudsters face a different dilemma: they need to lay their hands on the spoils once the hue and cry has calmed.

Two American lawyers have set up a company to prevent them doing just that. Mr Irving Cohen and Mr Martin Kennedy believe there are enormous opportunities for recovering money taken illegally.

"The US Treasury has estimated that $500bn of offshore funds are assets protected from creditors," says Mr Kennedy, who has worked on bad debt recovery with banks such as CIBC and Bank of Tokyo. The reason the money is not recovered, he says, is because "there is no understanding that deliberately hidden assets can be recovered."

Interclaim plans to take advantage of that with a form of global factoring. It is looking for debts worth at least $5m, and with an average value of $20m.

"This is a completely new kind of company," Mr Kennedy says, "but it is going to open up a field where there is going to be competition in five to 10 years."

The reasons large sums lie unrecovered are a combination of financial services regulations and psychology. A bank faced with a probable bad debt is legally required to make provisions, but that act moves the debt from a profit centre to the bank's recovery or special loans department.

More crucially, once the provision has been made, the bank and its shareholders have already accepted the loss; it is written into the accounts and the impetus to pursue it is lost.

'If we find someone whose 12-year-old daughter has $10m in her bank account, we can be sure she didn't get that from a paper round'

"Institutions have lost their faith in traditional methods of recovery," Mr Kennedy say. According to KPMG, the accountants, such methods usually recover 2-4 per cent of the debt; Interclaim believes its recovery rates will be closer to 20 per cent.

Part of that success will come from its "find, freeze and settle" philosophy. It aims to find the money and freeze the assets, thus immobilising the fraudster and bringing him to the settlement table quickly.

"These individuals are not interested in complying with the rule of law," Mr Irving says. "And we are not interested in grinding through the legislation for five or 10 years. If we find someone whose 12-year-old daughter has $10m in her bank account, we can be sure she didn't get that from a paper round."

The philosophy relies on an understanding of the fraudster and his assumptions. He is, says Mr Kennedy, not only cunning but arrogant; he regards his victims with derision. But criminals are also usually pragmatic. So when faced with an adversary who outwits them, they capitulate quickly.

Interclaim either buys claims outright for between 0.5 per cent to 6 per cent of their value, or works with the institution in a joint venture. It will spend between $250,000 and $500,000 to enforce and prosecute a claim, though the cost of recovery bears no relation to the size of the claim.

Clare Gascoigne

AMERICAS NEWS DIGEST

Hecla Mining posts $38m deficit

Hecla Mining, the leading US precious metals producer, yesterday reported a third-quarter loss of $38.6m, including non-recurring adjustments totalling $38.1m. The company said the largest portion of the adjustments related to the decision by Hecla's board to suspend operations at the Grouse Creek gold mine in central Idaho next year. The mine will be placed on a care and maintenance status.

Some reclamation on the property is expected next summer, after the Sunbeam pit is mined out during the second quarter of 1997, the company said. Although large-scale reclamation and dismantling of the plant have not been scheduled, the company decided to accrue $22.5m for costs, Hecla said.

The company said it also took a reduction in the carrying value of the Grouse Creek mine of $5.3m relating to the write-down of tailings, impoundment, construction costs and other assets. So far this year Grouse Creek has produced 40,000 ounces of gold, at a cash cost of $315 an ounce. *Reuter, Coeur D'Alene, Idaho*

Flat quarter for Molson

Molson Companies, which owns 40 per cent of Molson Breweries, announced third-quarter earnings of C$20.8m (US$15.62m), or 36 cents a share, against C$20m, or 35 cents, a year earlier. Revenues were C$413m against C$396m. Both periods exclude the sale of Diversey, its international chemicals business, recently divested for more than C$1bn.

Profit for the first-half ended September 30 was C$41.6m, or 71 cents, little changed from a year earlier, on revenues of C$813m against C$793m. Brewing's contribution was stable and hardware retailing improved.

Molson has about C$500m in cash after paying down C$467m of debt after the Diversey sale. Molson Breweries said last week its Canadian market share continued to slip in the first half of fiscal 1997, from 46.7 per cent to 46.1 per cent, because of shifting consumer tastes. The other shareholders in Molson Breweries are Foster's, of Australia, with 40 per cent, and Miller, of the US, with 20 per cent. *Robert Gibbens, Montreal*

GM sees output falling

General Motors said it expected fourth-quarter production at its North American operations to be down by 151,000 units at 1.169m vehicles. It said the fall was due mainly to work stoppages in Canada and the US in October, when more than 26,000 workers protested against delays in reaching a three-year labour pact. GM has announced plans to produce mid-sized saloon cars to compete with the Honda Accord and the Ford Taurus and Contour models. *AFX News, New York*

Canadian Airlines warns

More than 1,100 pilots working for Canadian Airlines International will vote this week on management's demands for a 10 per cent across-the-board pay cut for all employees. The company says it will shut down if all 16,400 employees do not accept the cut by November 30. But so far, four unions representing 15,000 employees have refused, though management hopes these unions will follow the pilots' lead and put the pay-cut proposal to membership votes.

The airline faces a severe cash crisis, and the pay cut is an important part of its second restructuring in three years. Overheads will also be cut, and routes reduced. *Robert Gibbens*

Telcel plans $350m investment

Telcel, the Venezuelan cellular telecommunications company, is to invest $350m in new technology and the expansion of its microwave network throughout Venezuela. Telcel plans to offer a fixed-line service when the monopoly of its competitor, CANTV, expires in 2000. A 40 per cent stake in CANTV will be put on the market later this month. Telcel is a joint venture between Mr Oswaldo Cisneros, a Venezuelan financier, and BellSouth, the US telecoms group. *Raymond Colitt, Caracas*

BAA hopes to elude Labour windfall tax

By Michael Skapinker, Aerospace Correspondent

BAA, the airports group, said yesterday it did not believe it would be included in any future Labour administration's windfall tax.

Sir John Egan, chief executive, said BAA was making heavy investments in airport and rail infrastructure at no cost to the public purse. Any Labour government imposing a windfall tax on BAA would have to decide what part of this infrastructure the UK could do without.

Sir John was speaking after announcing pre-tax profits up 3.4 per cent to £304m ($495m) for the six months to September 30.

The figure was reduced by £11m following changes in the structure of airport charges following new inter-governmental agreements and discussions with airlines. Airport charges were previously higher in the peak summer months, leading to enhanced profits in the first half. Mr Russell Walls, finance director, said the lost profits would be recovered in the second half.

Taking the change into account and excluding a £9m property disposal profit in the first half last year, this year's pre-tax profits were up 10.5 per cent on a like-for-basis, Mr Walls said.

The group's passenger figures demonstrated the pressure on space at London's Heathrow airport, where traffic increased by only 1.2 per cent to 29.8m. British Airways has moved some services to London's Gatwick airport, where passenger numbers were up 4 per cent to 14.2m. Stansted in Essex showed the biggest increase of the group's seven airports, with passenger numbers up 23 per cent to 2.8m.

Sir John said Stansted achieved an operating profit for the first time.

Overall, passenger numbers rose 3.3 per cent to 53.7m. The numbers were depressed by a 9.8 per cent fall in short-haul charter traffic, caused by tour operators trimming capacity. BAA said, however, that October passenger traffic had increased by 4.9 per cent to 8.7m and it expected the increase for the full year to be about 4 per cent.

Turnover rose 6.3 per cent to £742m. Retail income was up 10.7 per cent to £224.5m. BAA said it would launch its own duty and tax free business to increase its existing 5 per cent share of the $20bn (£12.2bn) duty free market. A new wholly-owned subsidiary, World Duty Free, will take over several retail contracts from Nuance, formerly Allders International.

Among projects planned for the new subsidiary are Studio 55, an airport shop for Japanese travellers, at Heathrow's terminal four.

Revenue from airport charges grew by 1.8 per cent to £283m. This figure was depressed by the change in the charging structure. Property revenues were up 7.7 per cent to £112m.

Earnings per share rose 3.3 per cent to 22.2p. Capital expenditure was £226m over the half year, compared with £164m over the same period last time.

The Heathrow Express rail link between the airport and Paddington station accounted for £60m of the increase.

Lydia van der Meer

Barry Gibson, retail director (left) with Sir John Egan

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BAA	6 mths to Sept 30	742	(698)	304	(294♥)	22.2	(21.5)	4.5	Jan 21	4.125	-	11.25
Banner Homes	6 mths to Sept 30★	18	(17.1)	0.796	(0.688)	4	(2.1)	0.4	Jan 7	0.4	-	0.7
British Steel	6 mths to Sept 28	3,809	(3,611)	262	(550)	8.58	(18.26)	3	Jan 13	3	-	10
Capital Radio	Yr to Sept 30	77.8	(67.4)	32.1	(39.9♥)	29.4	(36.2)	8.5	Jan 31	7	12.5	10.25
Carr's Milling	Yr to Aug 31	95	(85.8)	3.53	(3.03)	31.7	(29.1)	8	Jan 28	6.5	10.5	8.5
Celebrated Φ	6 mths to Sept 29	3.68	(2.51)	0.57♥	(0.211)	1.33†	(0.95)	0.16	Jan 8	-	-	0.27
Charles Sidney	Yr to Aug 31	252.8	(188.4)	5.7	(3.65♠)	9.5†	(7.3)	⚹	-	2.4	1.4	3.7
Cleveland Trust	6 mths to Sept 30	3.35	(1.75)	0.916	(0.606)	4†	(3.1)	2.5	Jan 23	2.45	-	5.8
Critchley	6 mths to Sept 30	23.3	(20)	3.71	(2.95)	16†	(14.3)	4	Jan 23	3.5	-	10.85
Emap	6 mths to Sept 30	388.3	(334.1)	164.1♥	(33.9)	57.7	(10.6)	4.3	Jan 10	3.7	-	11.2
John Lusty	6 mths to Sept 30	7.97	(7.53)	0.235	(0.182)	0.15	(0.12)	-	-	-	-	0.1
Prowting	6 mths to Aug 31	59.2	(50.4)	2.22	(4.12)	1.6	(3.3)	1.9	Jan 13	1.9	-	3.8
Renold	6 mths to Sept 28	91.3	(87.3)	10.2	(8.1)	11	(9.8)	2.8‡	Jan 24	2.5‡	-	7‡
SCI Φ	16 mths to June 30◆	2.03	(3.47)	1.59L	(0.459)	-	(-)	nil	-	-	-	-
Sidlaw	Yr to Sept 30	289.8	(283.2)	7.27L♠	(0.112L♠)	12L	(1.7L)	1	Feb 7	6.5	2	11
Smith (James)	6 mths to Sept 24	3.9	(2.12)	1.83♥	(1.51♥)	5.1	(4.6)	2.06	Jan 18	1.87	-	5.61
Solid State Φ	6 mths to Sept 30	2.46	(1.99)	0.205	(0.185)	2.6†	(2.7)	1	Jan 10	-	-	-
Triplex Lloyd	6 mths to Sept 30	98.4	(97.9)	6.25	(3.39♠)	7.1	(3.7)	2.5	Feb 21	2.5	-	7
Walker Crips	25 wks to Sept 27	2.9	(2.49)	0.311	(0.205)	3.2†	(2.3)	1.25	Dec 10	-	-	-
Wyndeham Press	6 mths to Sept 30	27.5	(16.8)	3.52	(1.97)	7.1†	(5.5)	1.9	Dec 16	1.6	-	4.3

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Asia Healthcare	6 mths to Sept 30‡	99.5	(93.3)	0.047	(0.022)	0.31	(0.14)	-	-	-	-	-
Edinburgh Inca	Yr to Sept 30	32.63	(32.05)	0.024	(0.098)	0.03	(0.12)	nil	-	nil	nil	nil
Finsbury	6 mths to Sept 30	233.7	(195.6)	0.66	(0.626)	2.8	(2.6)	1.7	Dec 10	1.6	-	3.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ★Comparatives restated. †On increased capital. ΦAim stock. ⚹Final expected to be proposed with results for 16 month period to December. ‡Foreign income dividend. ◆Comparatives for 12 months. ‡Comparatives for 3 months to September 30 1995.

British Steel job warning as profits decline

By Tim Burt

British Steel yesterday warned that the strengthening pound and intense overseas competition could force it to accelerate cost-cutting plans and shed more UK jobs this year.

The company issued the warning after blaming volatile steel prices and unhelpful currency fluctuations for a sharp fall in first-half profits.

Sir Brian Moffat, chairman and chief executive, said: "Our cost base has been eroded by the strength of sterling; we will have to step up cost reduction plans to regain the competitive edge which we have enjoyed for the past two to three years."

He was speaking after British Steel reported pre-tax profits down from £550m to £262m ($427m) in the six months to September 28, despite sales up from £2.99bn to £3.65bn. The fall was due mainly to destocking and lower selling prices, which fell by up to 45 per cent for some types of steel.

The price falls were most acute at Avesta, the group's stainless steel subsidiary, where sales fell from £992m in the second half of 1995 to £820m in the first half of this year.

Although the group said prices had since stabilised and were beginning to track upwards, the rising pound meant overseas rivals such as Usinor Sacilor of France and Thyssen of Germany were better placed to push through price rises.

Industry analysts estimated that adverse exchange rates could cost British Steel up to £100m in the second half of this year and about £175m in 1997. That is expected to cut pre-tax profits this year to about £550m – roughly half last year's total.

Sir Brian said: "There are signs that the destocking has come to an end in mainland Europe, with price increases taking place in structural, flat and stainless steel products."

British Steel, which is currently negotiating new three-month contracts with a range of industrial customers, said it was confident of securing price rises in spite of sterling's appreciation.

It also announced plans to offset the future cyclicality of the European steel industry by stepping up investment in overseas partnerships, particularly in the Pacific Rim.

The company unveiled its first such partnership yesterday with a £29m investment in Jindal Iron & Steel, the Indian steel company, to form a new coatings joint venture in the region.

While admitting it was only a small initial step, Sir Brian described the joint venture as an important signal of British Steel's future intentions. He also said the group would more than double first half capital expenditure of £188m to £430m for the year as a whole, including further investments in its Trico Steel joint venture in Alabama with Sumitomo of Japan and LTV of the US.

Henderson mulls Forsheda sale

By Michael Lindemann

Henderson Investors, the fund manager, last night said it had yet to decide whether to sell its 12.8 per cent stake in Forsheda of Sweden to TI Group after the UK engineering concern declared its £189m ($308m) cash bid unconditional.

TI, which has been pursuing the polymer engineering company since the middle of this year, yesterday said it had received valid tenders covering 78.7 per cent of Forsheda's share capital and 90.2 per cent of the voting rights.

Henderson denied suggestions that it had been embarrassed by the overwhelming acceptance of TI's offer, which it had repeatedly said was too low.

"About 30 per cent of the capital had phoned us to express the view that the bid was too low," Henderson said. "That does not mean they would reject the bid."

Henderson has to decide whether to remain as a minority shareholder or capitulate to TI's offer. Its stake is worth about £18m.

Henderson said it was not waiting for developments in the bid's progress but simply needed time to consider the outcome.

Renold back in gear with increase to £10.2m

By David Blackwell

A recovery at its gearbox business helped Renold lift interim profits by more than a quarter in spite of a sharp fall in European sales.

The Manchester-based chain and gears maker reported pre-tax profits up from £8.1m to £10.2m ($16.6m), for the six months to September 28 on sales just 5 per cent higher at £91.3m (£87.3m).

Mr David Cotterill, chief executive, said the fall in European sales was "in double digits. Anything in mainland Europe has been hard work." However, a dearth of large contract orders in the half had been countered by a surge in October that would lead to a satisfactory result for the full year.

Chain sales, which account for about 60 per cent of Renold's business, were down 6 per cent after an "outstanding" previous first half. German domestic chain sales fell 11 per cent, but the impact on the German plant had been contained by flexible working practices.

The Milnrow gear box business, previously hit by raw material price rises and a lack of bought-in parts, lifted sales by 27 per cent. The division had been lifted by an order for escalator gear boxes for London's Jubilee Line, which would run until next June. Another large UK contract had been signed to replace it.

Holset Couplings, acquired in June for £3.5m, had proved "a super buy", said Mr Cotterill, and had taken world coupling sales to £20m. The group was continuing to look for similar complementary acquisitions, but was determined not to overpay.

Earnings per share were 15 per cent up at 11p (9.6p).

Invesco makes £119m rights

By Christopher Brown-Humes

Invesco, the UK fund management group, yesterday announced a £119m ($194m) one-for-five rights issue to help fund its $1.6bn purchase of AIM Management Group, one of the fastest growing fund managers in the US.

The merger, announced last week, will create one of the world's top five independent fund managers, with more than $150bn under management.

The deal will be funded by the issue of 290m new Invesco shares worth about $1.1bn to AIM shareholders. The $500m balance will be met from a combination of new debt and the rights issue.

Invesco said it would issue 54.27m units of convertible unsecured loan stock in Invesco Funding at 220p per unit. The units can be converted to Invesco shares, one-for-one, next February.

Invesco shares closed yesterday at 254p, up 5p on the day

The Invesco Employees Share Option Trust has agreed to take up its rights, representing 8.57 per cent of the issue. The balance has been underwritten by Cazenove & Co and SBC Warburg, both brokers to the issue.

The merged group is to be called Amvesco. It is one of the largest ever tie-ups of fund management groups, and continues a trend towards globalisation and increased polarisation towards large companies and niche groups.

Advertising growth supports Emap rise

By Christopher Price

A rise in advertising revenues helped Emap, the media and exhibitions group, put aside its recent boardroom controversy to lift half-year pre-tax profits before exceptionals by 34 per cent to £50.6m ($82.5m).

The total £164.1m (£33.9m) pre-tax profit included £113.5m profit from the sale of its regional newspaper business. Turnover rose 16 per cent to £388.3m. On a continuing basis, and including the first contribution from the French magazine titles bought in March, sales increased 28 per cent to £361.7m.

Operating profits from UK consumer magazines rose 11 per cent to £19.9m on sales 8 per cent higher at £115.6m. There were launches for several new magazines, including Minx, Bike Buyer and Sported! Advertising revenues rose 10 per cent, with particularly strong performances from FHM, More and Bliss magazines.

Mr Robin Miller, chief executive, said the results showed the strength of the consumer magazine market. "Far from being mature, the magazine market is buoyant – we have seen an explosion in the markets for men, sport and technology magazines." Falling paper prices would benefit the second half and underpin the division's growth prospects, he said.

Profits from the French consumer magazine business more than doubled to £13.4m on turnover 59 per cent higher at £129.4m. Integration of the new magazines into the existing operations helped lift operating margins from 4.9 per cent to 10.3 per cent. However, advertising revenues declined 5 per cent, reflecting weakness in the French economy.

There was a strong performance from the radio business, where profits increased 85 per cent to £10m. This derived partly from the Metro stations, purchased in September 1995, but there was also a 25 per cent jump in underlying advertising revenues.

The sale of the regional newspapers helped to reduce borrowings from £227m to £107m. Mr David Arculus, managing director, said the acquisitions policy would continue, concentrating on in-fill purchases.

● Sir John Hoskyns, chairman of Emap, and other senior executives will this week be courting institutional shareholders prior to next month's extraordinary meeting at which they hope to remove two non-executive directors.

Sir John said yesterday investors were interested in who would succeed him in 1998, and relations between Mr Miller and Mr Arkulus, which have been reported as beset by rows. They were less concerned about the new articles of association introduced at this year's annual meeting and the dispute with the two dissenting directors, Mr Joe Cook and Prof Ken Simmonds.

Gas and petrochemicals boost for Triplex Lloyd

By Richard Wolffe, Midlands Correspondent

Demand in petrochemical and gas markets helped Triplex Lloyd, the industrial engineering group, lift interim pre-tax profits by 84 per cent.

The group said yesterday that it was confident demand would continue to grow this year, as order books in its power division rose by 9 per cent from £40.5m to £44.3m ($72.2m) to the end of September.

The results underlined the company's strategic shift two years ago, when it disposed of its lossmaking building products businesses.

Pre-tax profits rose to £6.25m (£3.39m) on sales vitually unchanged at £98.4m (£97.9m). Earnings per share rose from 3.7p to 7.1p.

Stripping out property activities, which involve former industrial sites, operating profits rose 10 per cent to £6.8m (£6.2m).

Mr Graham Lockyer, chief executive, said acquisition targets were being considered, but a commitment to improving margins in its two core divisions, power and automotive products, remained.

Triplex Lloyd expects a strong performance from its power businesses next year after completing development work for new customers such as Westinghouse in the first half. Margins in the power division rose to 8.7 per cent (8.2 per cent), on operating profits of £4.44m (£4.02m) and sales of £51m (£48.7m).

Increased demand for diesel engine and turbocharger components in the automotive products division increased operating profits to £2.36m (£2.12m) on sales of £44.7m (£42.7m).

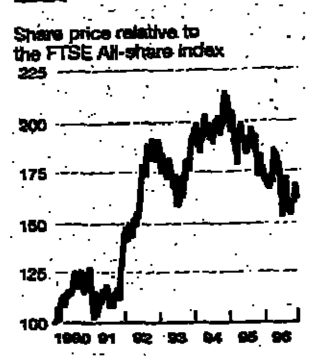
Trevor Humphries

Graham Lockyer with Bob Mitchell, finance director (left) – profits up 84 per cent

LEX COMMENT

BAA

It is a myth, which BAA does nothing to discourage, that the company is not really a boring utility but mainly a zappy retailer. And it is perfectly true that BAA has worked wonders in finding imaginative uses for its space. Even so, *all* BAA's UK airport income is subject to utility-style regulation, for the good reason that the company is in effect a monopoly. And, with only minor exceptions, BAA is not itself a retailer; it is simply a landlord.



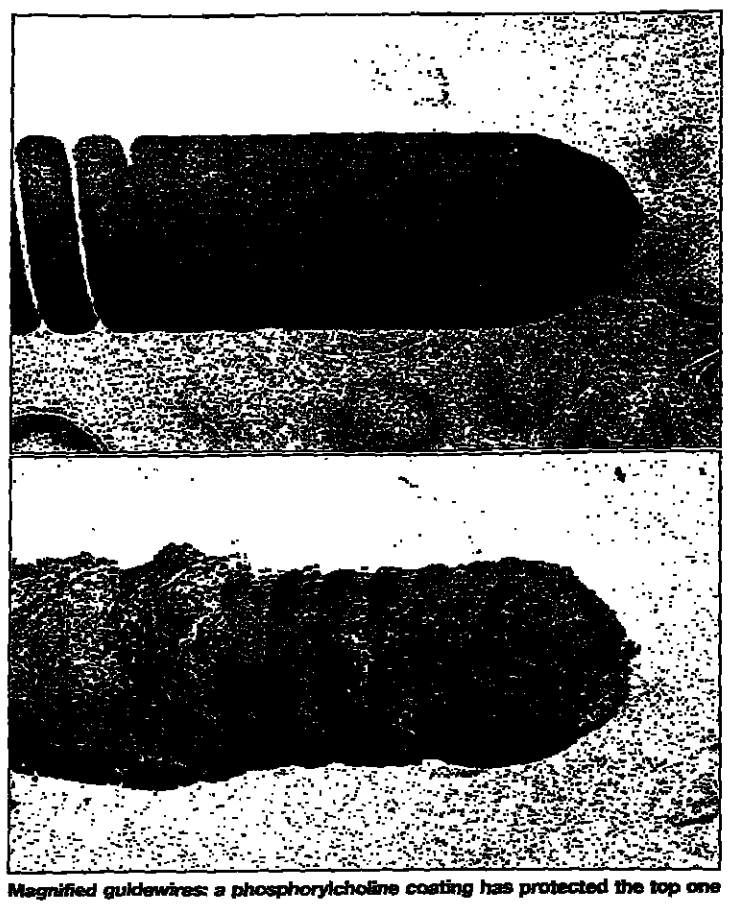
Source: Datastream

Investors should draw two conclusions. First, BAA's desire to be exempted from the Labour party's planned windfall tax on the grounds that it is not a utility is, unfortunately, bunk. And second, BAA's new plan to grab a "significant share of the world duty-free market" by going into retailing itself deserves hefty scepticism.

This looks dangerously like the classic utility mistake: just because returns in BAA's core business are constrained is not a good reason to diversify into a more competitive business of which it knows less. As BAA itself has demonstrated, the juicy profits to be made in duty-free shops tend to benefit the airport operator, which has the market power, not the retailer. And it is not as if BAA has no alternative; its plans to exploit its core skill running overseas airports make far more sense.

Of course, these opportunities could be slow in coming. Even so, the company would still be better off being patient than giving into the temptation to have a go at somebody else's business in the meantime.

TECHNOLOGY



Magnified guidewires: a phosphorylcholine coating has protected the top one

Carol Jones on safer synthetics being developed for surgery

Material benefits

Millions of elderly people worldwide have undergone hip replacement or cataract surgery involving synthetic materials that can survive and function in the hostile environment of the human body.

The materials – ranging from steel and titanium to woven polyester – have increased the options available to surgeons, who may choose to replace damaged tissue with an artificial equivalent rather than a donated organ.

These implants have a good safety record, but their use in the body is not without problems. Now scientists are developing approaches that could improve the safety of the synthetic materials used in surgery, and make it easier to use them.

Normally, the body tries to counteract the presence of foreign objects. Specific chemicals on the surface of micro-organisms such as bacteria and viruses are recognised by antibodies in the blood, which attach themselves to the microbe and ultimately destroy it.

But synthetic materials have a very different surface chemistry. "The surface of a polymer, for example, simply cannot be recognised by the body's immune system," says David Williams, head of the clinical engineering department at the Royal Liverpool University Hospital.

There are still a number of challenges, though, for the artificial implants. The environment within the human body is essentially an isotonic saline solution – in other words highly corrosive. Only "noble" metals, such as gold and platinum which do not corrode, can be used, along with engineering alloys which have been specially treated under physiological conditions.

Stainless steel is well known for its corrosion resistance. It contains chromium which migrates to the surface forming a dense layer of chromium oxide. This acts as a barrier between the steel and the outside environment, preventing further oxidation. Other properties include strength, toughness and fatigue-resistance, together with good wear properties. Its main bio-application has been in the femoral stem and ball of an artificial hip joint.

Titanium, however, is the most corrosion-resistant non-noble metal. Its mechanical properties are significantly improved if small amounts of aluminium and vanadium are added. It is much lighter than stainless steel and its stiffness is closer to that of bone. This alloy is now beginning to replace stainless steel in the femoral stem of the artificial hip joint, but because of its poor wear properties its use on the ball surface is not recommended. It is also widely used for intramedullary nails and plates to support fractured bones.

The body's saline environment can, in some circumstances, be used to advantage where degradation is required – for example, in biodegradable sutures. These are made from a polyester which is easily hydrolysed. As they degrade, the polyesters produce glycolic and lactic acid – substances found naturally in the body.

In contrast, artificial arteries are made from a type of woven polyester that is stable in body fluids. The material is based on polyethylene terephthalate (PET), the polymer used to make fizzy drinks bottles.

Problems can occur when blood flows over the polymer surface and plasma proteins are adsorbed on to it. Tissue then builds up on the inside of the vessel. If this is not controlled, it can eventually block the artery, and can also lead to the activation of platelets – the small oval or round fragments of cells from red bone marrow found in blood – and cause clots.

Fortunately, the woven texture of the material encourages deposition of only a thin layer of the endothelial cells which line blood vessels on the inside of the tube. But, while the replacement of large diameter arteries has proved successful, tissue build-up remains a problem in narrow vessels.

In all these cases, the surface properties of the material are the controlling factor in how it behaves in the body, as it is the surface that comes into contact with the body fluids. A recent approach, pioneered by Denis Chapman and colleagues at Biocompatibles, the UK biotechnology company, is to design a material surface which mimics the characteristics of natural tissue.

The outer surface of a human cell membrane consists primarily of a substance called phosphorylcholine which has a great affinity for water.

Chemists at Biocompatibles have managed to produce synthetically a series of phosphorylcholine polymers that stick to both metal and polymer surfaces. On exposing these coated materials to blood, the plasma proteins are unable to gain access to the underlying material because of the layer of water bound to its surface. Tests show that the build-up of tissue on these surfaces is reduced by 90 per cent and there is no evidence of blood clots forming.

"Our ultimate goal is to apply these coatings to small diameter vascular grafts that could be used in coronary bypass surgery," says John Yianni, technical director of the cardiovascular division of Biocompatibles. "They will negate the requirement for vascular tissue to be removed from the patient's leg."

Phosphorylcholine coatings are already being applied by Biocompatibles to all the items used to perform angioplasty, a "minimally invasive" operation to widen the small-diameter vessels supplying blood to the heart.

The procedure involves the use of a balloon catheter which is inserted into the femoral artery and guided to the damaged area by a wire, assisted by X-ray imaging. Once in place, the balloon is inflated with saline solution. As it expands against the walls of the blood vessel, the excess tissue that has caused the artery to narrow is compressed.

A coronary stent – a small metallic scaffolding device – is often used in conjunction with the catheter to ensure the vessel remains open once the balloon has been deflated and normal blood flow is restored. In a small number of cases the insertion of the stent has caused blood clots. This has been attributed to the material used to manufacture the stent, usually stainless steel.

Update · Waterjet cutting

Trickle of uses becomes a flood

THEN: November 16 1993 – To the uninitiated, cutting anything with water might sound absurd. But a high-pressure jet of water, squeezed through a tiny nozzle, can cut through everything from styrofoam and plywood to bread and cakes.

Add abrasives, and virtually any material can be cut, including stone and a variety of metals, such as stainless steel up to 100mm thick.

The technology was introduced in the early 1970s, and by the early 1990s was generating increasing interest, particularly in the automotive sector.

For a wide range of materials, the process offered faster, more accurate cutting than traditional methods such as sawing, routing or cutting with a hot wire. Unlike laser-cutting or other thermal methods, it does not produce a heat-affected edge – a big advantage for cutting materials such as plastics and composites.

NOW: In the past three years, robot-driven waterjet cutting has confirmed its potential, establishing itself at the high-volume end of the car industry. Previously, it was confined to low-volume, specialist producers such as Jaguar, says Lars Bergström, president of ABB IR Robotized Waterjet.

The Swedish-based joint venture between ABB Flexible Automation and Ingersoll-Rand has boosted sales from SKr41m in 1994 to SKr115m (£10.6m) last year. The company claims to be the world's leading player in three-dimensional waterjet cutting systems, where the cutting head is attached to the end of a robot, but is also a big player in the market for cutting tables used for 2-D waterjet cutting.

Developments in robot technology have helped increase cutting speeds, says Bergström, and a lot of attention has been given to reducing cutting costs per metre of material.

As a result, robot-based water cutting – with up to four robots working together on parts such as instrument panels – is becoming integrated into fully automated production lines, rather than being used in isolation from other tasks.

An example is a system supplied by ABB-IR to Swedish-based Borealis Industrier for making the Volvo 960 instrument panel. It is said to be the first of its kind to cut, rough-clean, wash and dry in a single automated process. Such systems, introduced by ABB-IR last year, are taking waterjet cutting into areas previously dominated by more traditional punch tools, which can impose limits on designs.

Advances are also taking place in the relatively more mature technology of 2-D waterjet cutting. This is developing into a serious alternative to laser-cutting, which is at its best cutting very thin sheets of metal. Where once the minimum thickness that a waterjet cutter could tackle was 7mm, it is now about 3mm, says Bergström.

Reliability of 2-D waterjet cutting has improved too, due partly to new abrasive cutting heads. Standard sapphire or ruby orifices have to be replaced every 75 hours to 100 hours because of damage by the abrasive. New diamond orifices introduced recently by I-R last 10 times to 20 times longer, sharply reducing downtime and cutting overall costs.

As with robotics generally, use of waterjet cutting has spread more slowly outside the automotive and aerospace sectors. These are the two areas where the pressure to reduce product development times is more intense – encouraging manufacturers to try new methods.

It is one thing to convince stone-cutters, for example, that a programmable waterjet cutter gives them much more flexibility than traditional sawing and grinding, says Bergström. "Their next question is: what are the economies? Will it work for two or three shifts a day, year after year?"

Inertia is another factor. Metalcutters have been using laser and plasma-cutting for many years, says Bergström, and it is always difficult to change totally. "You need designers to specify something that needs a waterjet."

Remaining technology challenges include finding a way to use abrasives in 3-D systems without damaging the robots and surroundings. Robotised waterjets could then be used for cutting light materials such as aluminium car panels. "We are looking at this closely, but there has not yet been any major breakthrough," says the ABB I-R chief.

The industry is also continuing to work on ways to recycle the abrasive and better control its mixture with water, so that less of it needs to be used.

Andrew Baxter

LAW

Tax ruling on coupons

EUROPEAN COURT

Where companies offered discount or voucher schemes for products, the taxable amount for those goods or services on which Value Added Tax was due under European law was the actual price received by the companies, less the discount, rather than full list price, the European Court ruled.

The ruling arose from two cases referred to the court from the VAT and Duties Tribunal in London. The first concerned a scheme run by Elida Gibbs, the personal products manufacturing subsidiary of Unilever, the Anglo-Dutch consumer products company. The company operated two discount operations – money-off coupons and cashback coupons.

Money-off coupons were made available to the public through the press or were linked to a retailer which printed and distributed the coupons to its customers. The coupons had a face value and could be presented for part payment of products. Once a coupon had been used for a purchase, the retailer could seek reimbursement from Elida Gibbs.

Cashback coupons were printed on the packaging of an Elida Gibbs product and customers were able to send the coupon to the company and receive the cash refund.

In 1992, Unilever requested a refund from the Commissioners of Customs and Excise on the grounds that the reimbursements made under the two schemes constituted retroactive discounts and that the relevant taxable amounts should be reduced accordingly. The request was denied, and the company challenged that decision before the VAT Tribunal, which then referred the matter to the European Court.

The other case concerned a voucher system operated by Argos, the UK catalogue retailer, under which vouchers could be used in full or part payment for goods or services. The vouchers were sold at face value or at a discount. Most sales were to companies which used them as staff incentives.

The Commissioners of Customs and Excise considered that the face value of the voucher should be the basis for calculating the taxable amount for VAT regardless of whether, when the voucher was bought, the buyer was given a discount. Argos did not accept that interpretation of the law, and the matter was referred to Luxembourg.

Before deciding the issues, the court reiterated that the basic principle of VAT was that it was intended to tax only the final consumer and that the taxable amount serving as the basis for the VAT collected could not exceed the money actually paid by the final consumer, as that sum was the basis for calculating the VAT ultimately borne by him.

Thus, the national tax authorities could not charge an amount exceeding the tax paid by the final consumer. As to the taxable amount for the supply of goods or services, according to case law, that comprised the value actually received in each specific case and not a value estimated according to objective criteria.

Thus, where Elida Gibbs was concerned, where the company received on completion of a sale, a sum corresponding to the price paid, less the relevant discount, it was that net sum rather than the price pre-discount which was to form the basis of the taxable amount for VAT. On the Argos scheme, the court ruled the value actually received by Argos for a purchase using one of its vouchers was the price of that voucher less any discount granted.

C-317/94: Elida Gibbs Ltd v Commissioners of Customs and Excise; C-288/94: Argos Distributors Limited v Commissioners of Customs and Excise. ECJ 6CH, October 24 1996.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Boonstra rings more changes

Tom Butler has been put in charge of Origin, the computer services offshoot of Philips, succeeding Geoffrey Carroll who has parted company with the Dutch-based electronics group after only five months as Origin chief executive. The two men were recruited together from EDS of the US, where Carroll – an American – had been responsible for southern Europe and Butler – a Briton – for the north.

Butler will be the third head of the unit since it was created in January from a merger between BSO/Origin and Philips' communications and processing services division. Henk Cohen stepped aside in June to work on an unnamed special project for the group, but quit last month to become deputy chairman of Spencer Stuart, a headhunting agency.

Origin, where Butler was previously chief operating officer, employs more than 11,000 people in 27 countries to service companies which out-source their information technology needs. The company's supervisory board said only that it had "decided not to continue the relationship with Mr Carroll". However, the hand on the revolving door appears to be that of Cor Boonstra, whose installation six weeks ago as Philips president has already heralded a streamlining of management.

Butler, a chartered engineer, spent seven years with Occidental Petroleum before joining EDS in 1990. *Gordon Cramb, Amsterdam*

SGS recruits Briton

Paul Lilley, 38, a former financial controller of BET, the UK conglomerate acquired by Rentokil Initial in May, has struck lucky. Lilley, a British management accountant, has been appointed chief financial officer of the Geneva-based Société Générale de Surveillance, the world's biggest company specialising in inspection, testing and verification.

Lilley, who joined BET in 1992, was not a member of the board at the time of the group's takeover by Rentokil. However, unlike John Clark, BET's chief executive who was dismissed following the takeover, Rentokil apparently wanted to retain Lilley who had the title of director of group finance and control. However, the offer of a job on the executive board of a $4bn international company which is bigger and far more successful than BET, proved too big a temptation.

Lilley starts at SGS's Geneva headquarters in January. He replaces Serge Pahud, 52, who has been running SGS's finances for the last 16 years. Pahud will oversee the group's quality certification and consultancy business in addition to his responsibilities for SGS's business in France, Italy, Spain, Portugal, UK Finland and Scandinavia.

Lilley should not have any difficulty on the language front in his new post. English is the operational language of SGS's executive board, which consists of four Swiss, one Belgian, two Englishmen and a Scot. The company operates in 140 countries and only 350 of its 36,000 staff are based at the Geneva headquarters. *William Hall, Zurich*

Eurostar's IT man

Eurostar, which runs high speed trains through the Channel tunnel between London, Paris and Brussels, is to beef up its computer systems with the appointment of Paul Tomlin as executive director of information technology. The company needs to improve its ticketing and reservations systems if it is to meet its targets for passenger numbers. It is currently making heavy losses but hopes to break even within 15-18 months.

Tomlin, 35, joins Eurostar from Virgin Atlantic Airways, where he has been responsible for worldwide IT operations for the past three years. His appointment underlines the change which British railway companies must make to bring their computerised customer handling systems up to the levels taken for granted by airline travellers.

At Eurostar, Tomlin's priorities will be to make sure that the reservation and revenue systems can cope with the increasing complexity of ticket pricing and to plug the ticket reservation system into networks such as Galileo to make it more accessible for high street travel agents.

At present many UK travellers pick up their tickets from the Eurostar sales office at London's Waterloo station because their travel agents are unable to issue them, but this threatens to overwhelm capacity. *Charles Batchelor, London*

Capel joins trend

HSBC James Capel, the London-based equities division of HSBC Investment Banking, has joined a growing trend by integrating its UK and European equities sales and research.

Quintin Price – currently head of UK research – will head a new pan-European division, with responsibility for both research and sales for all of Europe.

The move, which will put UK analysts alongside those from continental Europe, will make it easier for Capel to handle the growing number of institutional investors who want to talk to a single person about the whole of Europe, and also help to co-ordinate sectoral research across borders. "We looked at it in 1991, but then we would have been way ahead of the clients," said Peter Letley, deputy chairman of HSBC Investment Banking and chief executive of its securities operations.

Lin Moran, who currently heads European equities, will take responsibility for industry specialists in HSBC's investment banking division as well as for investment banking offices in Europe. *George Graham, London*

ON THE MOVE

■ Leslie Samuels, previously assistant secretary for tax policy of the US Treasury Department, has rejoined the US law firm CLEARY, GOTTLIEB, STEEN & HAMILTON.

■ Leif Victorin, executive vice-president and head of international direct insurance & reinsurance at SKANDIA, is to step down by April 1, after 28 years with the group. He will continue to work on special assignments under Lars-Eric Petersson, who takes over as president and chief executive on January 1.

■ C.C. Tung has been appointed chairman, president and chief executive of Hong Kong Shipping Group ORIENT OVERSEAS. He succeeds Tung Chee-hwa, who has stepped down to stand for political office. T.R. Chang becomes chief executive OOCL, the container shipping division.

■ Michael Conley rises to executive vice-president and chief financial officer of MCDONALD'S CORPORATION. Conley, previously financial controller, has been a member of McDonald's top management team since 1991.

■ Janet Hartung Crane, senior vice-president at Wells Fargo Bank in San Francisco, has been appointed vice-chairman of MONDEX INTERNATIONAL, the London-based international electronic-cash card payment organisation in which MasterCard International last week took a controlling stake.

■ Serge Gouin, for the past five years president and chief operating officer of GROUPE VIDEOTRON, the Canadian cable and telecoms group, is leaving the company. Claude Chagnon takes over his role and also becomes chairman of Tele-Metropole Inc.

■ James Cirenza, 37, joins BZW, the investment division of Barclays, from NatWest Markets, as head of international sales trading for the north American equities team.

■ Norbert Jaeger, 44, previously with Veba, takes over the restructured communications division at Germany's METALLGESELLSCHAFT, replacing Lutz Dreesbach.

■ Olaf Olafsson, founder and formerly president and chief executive of Sony Interactive Entertainment, has been named vice-chairman and director of ADVANTA INFORMATION SERVICES – a newly formed Advanta subsidiary headed by William Razzouk, formerly of Federal Express.

■ Samuel Molinaro, 38, has been promoted to chief financial officer of BEAR STEARNS COMPANIES, replacing William Montgoris, who remains chief operating officer. Molinaro, who has been at Bear Stearns since 1986, continues as a senior managing director of Bear, Stearns & Co.

■ Lowell Soffer rises to the new position of chief financial officer at NATIONAL GEOGRAPHIC TELEVISION, a wholly owned subsidiary of the National Geographic Society.

■ Bertil Trusanen, 47, joins VATTENFALL, the Swedish energy concern, on January 1, as chief financial officer and senior vice-president. He is currently vice-president of Kooperativa Förbundet in Stockholm, and succeeds Tom Allerbrand who is going to the World Bank.

■ Philip Kent, managing director of TURNER BROADCASTING System Europe, takes an expanded international role covering all areas outside the US.

■ Peter Delaney becomes senior vice-president – business services at the NEW YORK POWER AUTHORITY.

■ Ned Skinner, previously with Tate & Lyle, has been named president of Australian food ingredients group BURNS PHILIP's industrial/food service division.

■ Paul Zbinden, chief executive of SIBRA, the Swiss brewery, has resigned along with his deputy, Daniel Blancpain, following a decision to close the Cardinal brewery.

■ Kari Lahtinen has resigned as managing director of Finnish electronics component maker EFORE. Pirkko Fabritius, an existing board member, takes on his duties, pending appointment of a successor.

■ Nick Brown has resigned as executive vice-president and chief operating officer of ST. PAUL FIRE AND MARINE INSURANCE of the US, to become president and chief executive of NAC Reinsurance and president and chief operating officer of NAC Re Corp., its holding company.

■ Brian McGrath, previously president and chief executive of Swiss-based ISL Marketing, joins MCA, the Seagram subsidiary, as senior vice-president, international business development.

■ Mark Leuchtenberger replaces Kenneth Bate as vice-president, marketing and sales at BIOGEN, the US biotech group.

■ Tony Tyler joins the board of HONG KONG AIRCRAFT ENGINEERING, replacing Rod Eddington. He is currently director of service delivery at Cathay Pacific Airways, where he shortly becomes corporate development director.

■ Manfred Goebels, 55, of Mercedes Benz, is the new chairman of management association VERBAND ANGESTELLTER FUEHRUNGSKRAEFTE of Cologne.

■ James Wood, 54, has been appointed president of BABCOCK & WILCOX POWER GENERATION GROUP, a subsidiary of energy services company McDermott International. He replaces Walter Boomer, 58, who has resigned in order to pursue other business interests.

■ Tom Johnson has resigned as chairman and managing director of CUMNOCK COAL, the Australian coal producer which was the subject of a bid earlier this year by Swiss-based metals house Glencore.

■ Kurt Landgraf, president and chief executive of DuPont Merck Pharmaceutical, becomes chief financial officer at E I DU PONT DE NEMOURS, and co-chairman of the DuPont Merck board.

■ L. Berndsen, chairman of the NEDLLOYD executive board, takes responsibility for European transport and distribution, following the merger of Nedlloyd Lines and P&O Containers and the retirement of H. Helb as deputy chairman.

■ Peter Reiniger, formerly co-director for Hungary, becomes telecoms director at the EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT.

■ Charles Irace, 53, and Geoff Bull, 46, join the board of CRODA, the UK speciality chemicals group.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

INTERNATIONAL CAPITAL MARKETS

Italian prices ease on budget tension

GOVERNMENT BONDS

By Richard Lapper, Capital Markets Editor

Enthusiasm for European convergence trades eased yesterday, with Italy, Spain and Sweden all underperforming Germany. With both the US and the French market closed for holidays, volumes were thin.

Dealers said tensions over the government's budget plans, which parliament is scheduled to approve on Thursday, had been the biggest factor influencing trading patterns in the Italian bond market.

Mr Alex Cooper, manager with Tullett and Tokyo, said the mood on the London International Financial Futures Exchange had been one of caution. "People are holding back before committing themselves," he explained.

The 10-year December BTP contract on Liffe lost 0.06 to settle at 125.65. In the cash market the 10-year yield spread over bunds widened by 5 basis points to 196 points.

Spanish bonds closed marginally higher in the cash market but still underperformed bunds, with the 10-year yield spread increasing by 3 basis points to 166 points. On Meff the 10-year December bono gained 0.04 to settle at 108.93.

Swedish bonds, which have underperformed since the publication of a report on Emu by an independent study commissioned by the government last Monday, lost ground again yesterday, with the 10-year yield spread over Germany widening to 147 basis points, compared to 137 points at the end of last week and 124 points at the end of the previous week. The report recommended that Sweden should not join European monetary union at its planned start in 1999.

German bunds made modest gains in light trade, with Liffe's 10-year December bund contract gaining about a quarter of a point to settle at 100.49.

On Liffe Mr Cooper reported some switching into euromarks from other European short-dated contracts. The December eurolira contract settled at 92.71, down 0.01, while the December euromark contract rose by 0.01 to settle at 96.78.

UK gilts gained ground. The December long gilt contract was unaffected by marginally higher than expected producer price figures, and then moved up sharply later in the day to settle at 109 13/32, up 7/16. The 10-year yield spread over bunds narrowed by 1 basis points to 189 points.

A number of analysts expect gilts to benefit this week, as convergence give way to modest divergence trades.

One gilts salesman with a large European house said cross-market flows by international investors out of Italy and into UK gilts had been building up towards the end of last week, even though activity was relatively subdued yesterday.

Japanese bonds held steady in London trading after losing about a quarter of a point in Tokyo.

Yields on the JGB No 182, the 10-year benchmark, rose by 4 basis points to 2.75 per cent, making for a rise of nearly a quarter of a percentage point over the last week.

The launch yesterday by Nomura International of a new JGB put warrant providing a long-term hedge for investors, reflects uncertainty about the market's future direction.

Nomura said there were very few long-dated derivatives products that allowed investors to hedge interest rate exposure.

The launch of its new warrant was designed to anticipate publication of the Tankan report on November 27, which is expected to increase volatility in the JGB market.

Nomura will guarantee liquidity in the warrant by fixing a Y200 ($0.20) bid-offer spread.

The warrant is American-style, can be exercised at any time and will be listed on the Luxembourg Stock Exchange.

"The problem for a lot of bond portfolios is how to express a bearish view on Japan with a sufficiently long-term horizon," said Mr Fraser McKenzie, of Nomura's international markets division.

"Short-term hedges in the JGB market are available but involve roll-over costs which become expensive. Our warrant can solve that difficulty," he added.

Emu problems seen for OTC derivatives

Over-the-counter derivatives, traded between professionals and not listed on any exchange, could face increasing problems as a result of European economic and monetary union.

Unlike derivatives traded on exchanges – where the markets and their regulators help set the rules – OTC transactions are subject to more ambiguity. Some experts believe the problems could end in litigation.

Several sources of potential problems have already been dealt with, either through European legislation or with the help of professional associations – such as the International Swaps and Derivatives Association – but a few key questions remain unanswered.

The most controversial issue will arise in contracts maturing after 2002 – when national currencies of European member states are due to disappear. Contracts which refer to benchmark interest rates that will have ceased to exist – such as the Frankfurt interbank rates for D-Mark – will be especially vulnerable.

Not all reference rates will disappear – 10-year bond yields will continue to differ, because government bonds will have varying credit standings even when they are all denominated in euros. But a majority of short-term interest rates are bound to be scrapped as they are replaced by a reference rate set by the European central bank, which should come into existence in 1999.

Parties to contracts whose underlying rates have disappeared can defend two different arguments.

The first is that interest rates set by the central bank will have replaced individual currency rates, and should be regarded as new benchmarks. The second is that national central banks will still set their own domestic interest rates on the euro, so these rates should replace money-market rates on individual currencies.

"Both theories make sense," said Mr Mark Fox, chief European strategist at Lehman Brothers in London. "These arguments will probably be tested in the courts."

The potential problems are exacerbated by the lack of standardisation in the OTC market, which means financial institutions will have to study the effects of the single currency on several different contracts separately. The length of some contracts also poses problems. Some were agreed before the decision to adopt a single currency, but will mature after the euro has replaced some underlying currencies.

"To avoid controversy," Mr Fox said, "further legislation on these specific issues is desirable."

Fortunately, a large number of OTC agreements will not prove to be controversial, such as existing deals that refer to Emu. In general, such contracts contain specific clauses to deal with the transition to the euro.

Other deals that should be spared are those maturing between 1999 and 2002 – when national currencies are used in parallel with the euro. These contracts will continue to run – until maturity – and will be settled in the currency they were denominated in originally, unless both parties agree a shift to the euro.

Samer Iskandar

Skandinaviska Enskilda in debut sterling issue

INTERNATIONAL BONDS

By Conner Middelmann

The sterling eurobond sector saw two new issues yesterday, which were sold largely to UK-based investors.

Sweden's Skandinaviska Enskilda Banken launched its first public issue in the sterling sector, £100m of subordinated perpetual step-up bonds callable after 10 years.

According to Goldman Sachs, the lead manager, the paper offered an opportunity for diversification to domestic investors, who are used to being offered perpetual step-up bonds issued by UK banks and building societies.

However, most demand came from traditional perpetual step-up buyers, including UK-based branches of foreign banks, an official said.

The bonds were deemed attractively priced, yielding 120 basis points over gilts at the re-offer price. That compares favourably with last week's issue of bonds for the Woolwich Building Society, which are callable after 25 years and yield 125 basis points over gilts. The Woolwich's bonds were rated A3 by Moody's while SE Banken's are rated Baa1.

Also in sterling, Portman Building Society issued £150m of three-year floating-rate notes, refinancing a £100m issue it called on Saturday. This was only the second eurobond issue by the Portman, the UK's 12th largest building society.

The notes were priced at an all-in spread of 13¼ basis points and traded at a premium of 12¼ basis points late in the session, lead manager NatWest Markets said.

Bond markets in the US and several European countries were closed for national holidays – leaving activity in other eurobond sectors subdued. However, ABN Amro Hoare Govett had a busy day, lead-managing three more deals.

A Fl 500m offering for Ahold USA, the US subsidiary of the large Dutch food retailer, was snapped up by investors and sold out within an hour of launch, ABN officials said. The proceeds are to be used to refinance the debt of Stop & Shop, a US store chain which Ahold recently acquired.

Thanks to its high name recognition, the offering attracted strong retail demand, but institutions were also said to be keen bidders, encouraged in part by the rarity value of the issue. Ahold last came to the Dutch market in 1993.

The bonds were launched at a yield spread of 35 basis points over the interpolated yield curve of Dutch government bonds, which narrowed to 34 points in the course of the session, ABN said.

Later in the day, Achmea Hypotheekbank, a leading Dutch financial conglomerate, issued Fl 250m of seven-year paper priced to yield 26 basis points over government bonds. The bonds were placed mainly with Dutch institutional investors, ABN syndicate officials said.

St Göran Securities, a Swedish special-purpose vehicle, issued SKr1.2bn of asset-backed securities, also via ABN. Proceeds will be used to purchase a loan from ABN Amro to Svenska Bostäder, a Swedish municipal housing company wholly owned by the City of Stockholm.

The loan will be secured by a number of mortgages over individual multi-family residential properties owned and managed by the borrower. The security would only be enforced if the borrower defaulted on its loan. Duff & Phelps rates the bonds triple-A.

The deal was pre-marketed on Friday and was fully placed with institutional investors, especially in Sweden, syndicate officials said.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Bank of Melbourne(a)‡	50	(a1)	100.00R	Nov 1997	0.05R	-	Nomura International
YEN							
Intl Finance Corp(b)♦	10bn	5.35♦	100.00	Dec 1999	1.50	-	DKB Intl/Kankaku(Europe)
SWISS FRANCS							
Dresdner Finance(c)	100	2.25	98.35	Jun 2001	2.00	-	Dresdner/SBC Warburg
STERLING							
Portman Building Society‡	150	(d)	99.909	Dec 1999	0.08	-	NatWest Markets
SE Banken(e)	100	9.04	100.00R	Undated	0.825R	+120(7¼%-06)	Goldman Sachs Intl
GUILDERS							
Ahold USA	500	6.25	99.93R	Nov 2006	0.425R	+35(i)	ABN Amro Hoare Govett
Achmea Hypotheekbank(f)	250	5.75	99.75R	Dec 2003	0.35R	+26(i)	ABN Amro Hoare Govett
SWEDISH KRONOR							
Saint Göran Securities(f,g)	1.2bn	7.35	98.77R	Nov 2003	0.20R	+50(i)	ABN Amro Hoare Govett

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Unlisted. §Floating-rate note. ♦Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) $150m launched 1/11/96 was increased to $200m. a1) 3-mth Libor flat. b) Redeemed in Aus$. c) Fungible with SFr200m. Plus 166 days accrued. d) 3-mth Libor +8bp. e) Callable from 11/12/06 at par. If not called, coupon steps up to 6-mth Libor +250bp. f) Securitised personal mortgages. i) Over interpolated yield. j) Long 1st coupon. k) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	96.6600	–	7.22	7.36	7.67
Austria		5.875	07/06	99.2300	–0.020	5.98	6.09	5.98
Belgium		7.000	05/06	0.0000	–	0.00	6.15	6.15
Canada *		7.000	12/06	0.0000	–	0.00	6.34	7.00
Denmark		8.000	03/06	107.8400	+0.080	6.84	6.93	6.84
France	BTAN	5.500	10/01	0.0000	–	0.00	4.98	5.11
	OAT	6.500	10/06	0.0000	–	0.00	5.98	6.05
Germany Bund		6.250	04/06	102.5600	+0.270	5.89	6.03	6.02
Ireland		8.000	08/06	107.8300	+0.310	6.88	7.05	6.85
Italy		9.500	02/06	110.9200	–0.140	7.82†	8.10	8.18
Japan	No 140	6.600	06/01	121.2675	–0.210	1.71	1.50	1.78
	No 182	3.000	09/05	101.7957	–0.290	2.75	2.52	2.83
Netherlands		8.500	06/06	118.1400	–0.730	5.97	5.94	5.91
Portugal		9.500	02/06	114.1100	+0.110	7.35	7.56	7.68
Spain		8.800	04/06	108.1900	+0.090	7.53	7.81	7.76
Sweden		6.000	02/05	91.6965	–0.290	7.36	7.32	7.21
UK Gilts		8.000	12/00	102-28	+7/32	7.17	7.22	6.79
		7.500	12/06	99-05	+12/32	7.62	7.73	7.47
		9.000	10/08	109-13	–	7.78	7.84	7.61
US Treasury *		6.500	10/06	0-00	-	0.00	6.35	6.58
		6.500	11/26	0-00	-	0.00	6.67	6.85
ECU (French Govt)		7.000	04/06	0.0000	–	0.00	5.40	6.35

London closing, *New York closed. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Close (Nov 8) — Treasury Bills and Bond Yields

		One month	-	Two year	5.75
Prime rate	8¼	Two month	-	Three year	5.89
Broker loan rate	7	Three month	5.17	Five year	6.04
Fed.funds	5⅛	Six month	5.29	10-year	6.25
Fed.funds at intervention	5⅛	One year	5.46	30-year	6.51

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000 (Nov 8)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	127.44	127.22	–0.08	127.48	127.14	97,072	192,122
Mar	127.42	127.18	–0.06	127.42	127.12	3,196	41,523
Jun	126.18	125.96	–0.04	126.18	125.92	739	7,028

■ LONG TERM FRENCH BOND OPTIONS (MATIF) (Nov 8)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
124	-	-	-	0.02	-	0.36
125	-	-	-	0.05	-	0.54
126	1.32	-	1.96	0.13	0.38	0.83
127	0.57	-	1.40	0.38	0.71	-
128	0.18	0.45	0.93	0.93	-	1.73

Est. vol. total, Calls 13,109 Puts 14,711. Previous day's open int., Calls 171,291 Puts 160,875.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.23	100.53	+0.30	100.55	100.23	48360	259292
Mar	99.37	99.53	+0.31	99.54	99.37	1132	20727

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
10050	0.35	0.27	0.48	0.63	0.32	1.24	1.45	1.60
10100	0.14	0.16	0.34	0.46	0.61	1.63	1.81	1.93
10150	0.05	0.10	0.22	0.33	1.02	2.07	2.19	2.30

Est. vol. total, Calls 4701 Puts 3198. Previous day's open int., Calls 205384 Puts 211714

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	125.61	125.65	-0.06	125.93	125.38	22979	93282
Mar	124.72	124.85	-0.07	124.98	124.72	445	4897

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
12550	0.84	1.79	0.69	2.44
12600	0.59	1.56	0.94	2.71
12650	0.40	1.36	1.25	3.01

Est. vol. total, Calls 2277 Puts 3274. Previous day's open int., Calls 194239 Puts 183845

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	108.85	108.93	+0.03	109.08	108.75	39,885	61,861
Mar	108.37	108.35	–0.06	108.37	108.20	121	719

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-00	109-13	+0-14	109-14	108-30	13596	142673
Mar		108-20	+0-14			0	2409

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
109	0-52	0-68	1-16	1-33	0-26	1-18	1-40	1-57
110	0-21	0-34	0-55	1-05	0-59	1-58	2-15	2-29
111	0-06	0-18	0-36	0-47	1-44	2-42	2-60	3-07

Est. vol. total, Calls 1968 Puts 555. Previous day's open int., Calls 55843 Puts 32457

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000 (Nov 8)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	94.72	94.46	–0.18	94.80	94.44	781	6,967
Mar	-	94.04	–0.18	-	-	-	26

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% (Nov 8)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	114-10	114-02	-0-07	114-17	113-22	570,438	425,826
Mar	113-28	113-20	-0-07	114-02	113-08	3,260	32,199
Jun	113-05	113-04	-0-06	113-05	113-04	923	10,122

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	123.52			123.56	123.32	2542	na
Mar	122.64			122.71	122.55	576	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Nov 11	Day's change %	Fri Nov 8	Accrued interest	xd adj. ytd		Low coupon yield Nov 11	Nov 8	Yr. ago	Medium coupon yield Nov 11	Nov 8	Yr. ago	High coupon yield Nov 11	Nov 8	Yr. ago
1 Up to 5 years (21)	120.73	0.08	120.95	2.11	8.68	5 yrs	7.26	7.29	7.34	7.32	7.38	7.35	7.38	7.42	7.43
2 5-15 years (18)	149.41	0.26	149.02	3.58	9.09	15 yrs	7.84	7.87	7.98	7.83	7.87	8.02	7.84	7.87	8.10
3 Over 15 years (8)	167.00	0.37	166.39	4.19	9.83	20 yrs	7.91	7.93	8.03	7.89	7.92	8.06	7.91	7.93	8.13
4 Irredeemables (6)	192.34	–0.06	192.45	5.12	8.63	Irred.†	7.98	7.97	8.14						
5 All stocks (53)	143.66	0.21	143.50	3.13	9.21										

Index-linked							Inflation 5% Nov 11	Nov 8	Yr. ago	Inflation 10% Nov 11	Nov 8	Yr. ago
6 Up to 5 years (2)	202.38	0.04	202.29	0.86	5.28	Up to 5 yrs	3.25	3.25	3.07	2.62	2.62	2.00
7 Over 5 years (10)	193.26	0.15	193.52	1.05	4.71	Over 5 yrs	3.61	3.62	3.64	3.42	3.43	3.46
8 All stocks (12)	193.18	0.14	193.40	1.00	4.69							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 11	Nov 8	Nov 7	Nov 6	Nov 5	Yr ago	High*	Low*
Govt. Secs. (UK)	93.73	93.74	93.36	93.22	93.76	94.07	96.34	91.59
Fixed Interest	115.38	115.57	115.20	115.38	115.38	112.58	116.45	110.74

Gilt Edged Activity Indices

	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4
Gilt Edged bargains	104.0	121.3	133.1	132.9	129.1
5-day average	124.1	123.4	118.9	109.5	100.0

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 11

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅜	100½	+⅛	6.42
ABN Amro Bank 7¼ 05	1000	102⅞	103¼	+⅛	6.92
African Dev Bk 7½ 23	500	101½	102	+⅛	7.24
[illegible]					
Spain 7¼ 03	4000	108⅞	108⅞	+¼	5.54
Volkswagen Intl Fin 7 03	1000	108¼	108⅜		5.82
World Bank 5⅞ 03	3000	102⅜	102½	+⅛	5.46
World Bank 6⅛ 02	3000	104½	104⅝	+⅛	5.21
[illegible]					
Abbey Natl Treasury 8 03 £	1000	100⅞	101⅛	+⅛	7.81
British Land 8⅞ 23 £	150	94⅜	94¾	+¼	9.68
Denmark 6¾ 98 £	800	99½	99⅝		7.03
Depfa Finance 7⅛ 03 £	500	98½	98⅝	+¼	7.79
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

Dollar falls as traders suspect policy change

MARKETS REPORT

By Simon Kuper

The dollar dropped below DM1.50 to the D-Mark for the first time in two months and continued falling against the yen in London trading yesterday. Traders sold the dollar as their expectations of increased US interest rates dimmed, and as the belief gained ground that Tokyo and Washington want the yen to rise against the US currency.

But volumes were low, with New York and many European markets closing to commemorate their nations' war dead.

The dollar closed 0.8 pfennigs lower in London at DM1.498 against the D-Mark, below the narrow range in which it had traded for two months. It fell Y0.4 against the yen to close at Y111.2.

The dollar's slide dragged down sterling, which closed a pfennig lower at DM2.467.

The lira also lost ground, because of fears that the Italian budget might fail to pass parliament, and because European finance ministers disagreed about a stability pact for monetary union.

■ On a day of little news, the main influence on the markets remained last week's comments by Mr Eisuke Sakakibara, director general of the Japanese finance ministry's international finance bureau. He had been quoted as saying the Japanese government would not lead the yen much lower against the dollar, and he told the FT that the market was too pessimistic about Japan's economy.

Currency dealers have nicknamed Mr Sakakibara "Mr Yen", because of his influence on the currency, and they took his comments to mean that Tokyo and Washington thought the yen had fallen far enough against the dollar in the last 18 months.

Yesterday Mr Sakakibara softened his stance, saying that Japan's foreign exchange policy remained unchanged. Currency strategists read this as an attempt to moderate the yen's rise. But the markets continued to believe his earlier comments, and the yen advanced further. Mr Neil MacKinnon, chief economist at Citibank in London, said: "Many traders and investors believe there has been a sea change in policy after the US and Japanese elections."

Mr Mark Cliffe, chief international economist at HSBC Markets in London, said many traders now saw the yen as a "one-way bet": the authorities would stop it depreciating below about Y115, but it seemed to have further scope to appreciate.

The dollar also fell on the market's belief that the Federal Reserve would not raise interest rates before February 1997. Mr MacKinnon pointed out that Fed futures contracts were pricing in a mere 50 basis-point rise in US interest rates over the next 12 months.

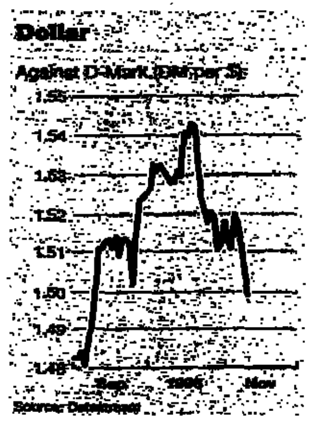
"Near term, we're entering a phase of dollar weakness," he said. The dollar had fallen through technical supports at Y111.20 and DM1.5010 yesterday. "There's a feeling that a move for Y108-9 is achievable soon," he added.

■ Mr Hans Tietmeyer, Bundesbank president, captured the mood of the foreign exchange markets over most of 1996 when he said after yesterday's G10 meeting in Basle: "We have not discussed the currency markets because it seems all in all relatively quiet now." He chairs the G10 central bank governors' committee.

■ No one had expected European finance ministers to agree a stability pact for monetary union at their meeting yesterday. But the disagreements, with only Germany and the Dutch pushing for a strict pact, reminded the markets of potential pitfalls on the road to Emu.

So did events in Italy. On Sunday there were demonstrations in Rome against government plans to raise taxes. Yesterday the right-wing parliamentary opposition, led by Mr Silvio Berlusconi, said it would boycott votes on the budget. This raised doubts about whether the government could gain a quorum for its plan.

The lira slid L2 against the D-Mark to close at L1009. The currency's fall over the last week could suit Italy, which hopes to enter the European exchange rate mechanism before the end of 1996 at a level weaker than L1000. France wants a stronger lira, to stop Italian exports from gaining an advantage.



Source: Datastream

■ Pound in New York

Nov 11	---Latest---	-- Prev. close --
£ spot	1.6470	1.6470
1 mth	1.6459	1.6459
3 mth	1.6435	1.6435
1 yr	1.6298	1.6298

■ OTHER CURRENCIES

Nov 11	£	$
Czech Rp	44.0361 - 44.0677	26.7350 - 26.7750
Hungary	255.197 - 255.398	155.050 - 155.100
Iran	4938.00 - 4937.70	3000.00 - 3000.00
Kuwait	0.4913 - 0.4923	0.2985 - 0.2986
Poland	4.5121 - 4.5160	2.7422 - 2.7432
Russia	9009.20 - 9075.43	5474.00 - 5477.00
U.A.E.	6.0481 - 6.0491	3.6728 - 3.6731

● For the latest market update, ring FT Cityline on +44 990 209909

To subscribe, call +44 171 873 4378

POUND SPOT FORWARD AGAINST THE POUND

Nov 11		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.3639	-0.064	568 - 710	17.5433	17.3485	17.3204	3.0	17.2639	2.3	-	-	104.9
Belgium	(BFr)	50.8593	-0.2103	073 - 112	51.3250	50.8073	50.7343	2.9	50.4893	3.1	49.2743	3.1	106.1
Denmark	(DKr)	9.4940	-0.0363	903 - 976	9.5849	9.4819	9.4741	2.5	9.4335	2.6	9.2546	2.5	107.3
Finland	(FM)	7.4488	-0.0338	431 - 545	7.5260	7.4431	-	-	-	-	-	-	84.5
France	(FFr)	8.3502	-0.0273	422 - 581	8.4309	8.3422	8.3312	2.7	8.2923	2.8	8.1138	2.8	109.0
Germany	(DM)	2.4677	-0.0091	667 - 686	2.4932	2.4650	2.4615	3.0	2.4488	3.1	2.3923	3.1	108.3
Greece	(Dr)	390.482	-0.833	309 - 656	394.804	389.746	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9962	-0.0005	955 - 969	0.9991	0.9952	0.9958	0.4	0.9949	0.5	0.9883	0.8	100.6
Italy	(L)	2499.54	-5.4	778 - 131	2513.69	2487.78	2493.34	-1.8	2500.84	-1.8	2505.34	-0.6	76.6
Luxembourg	(LFr)	50.8593	-0.2103	073 - 112	51.3250	50.8073	50.7343	2.9	50.4893	3.1	49.2743	3.1	106.1
Netherlands	(Fl)	2.7692	-0.0102	686 - 698	2.7954	2.7646	2.761	3.1	2.746	3.2	2.6813	3.1	106.3
Norway	(NKr)	10.3764	-0.0307	725 - 802	10.4945	10.3691	10.3639	1.4	10.3439	1.3	10.2389	1.3	100.0
Portugal	(Es)	250.065	-0.505	946 - 184	252.215	249.669	250.26	-0.9	250.63	-0.9	-	-	95.8
Spain	(Pta)	207.856	-0.667	795 - 916	209.916	207.699	208.021	-1.0	208.251	-0.8	208.261	-0.2	80.2
Sweden	(SKr)	10.8590	+0.0061	504 - 676	10.9196	10.8504	10.8578	0.1	10.8552	0.1	10.8428	0.1	89.2
Switzerland	(SFr)	2.0753	-0.0117	742 - 764	2.0974	2.0729	2.0677	4.4	2.0526	4.4	1.9859	4.3	108.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	90.5
Ecu	-	1.2895	-0.005	885 - 904	1.3020	1.2881	1.2876	1.8	1.2832	2.0	1.2617	2.2	-
SDR†	-	1.135040	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6460	+0.0014	456 - 464	1.6569	1.6434	-	-	-	-	-	-	-
Brazil	(R$)	1.6951	+0.0015	945 - 957	1.7067	1.6933	-	-	-	-	-	-	-
Canada	(C$)	2.1959	+0.007	950 - 967	2.2099	2.1919	2.1907	2.8	2.1799	2.9	2.1209	3.4	86.3
Mexico	(New Peso)	13.0004	-0.0092	894 - 114	13.1065	12.9894	-	-	-	-	-	-	-
USA	($)	1.6463	+0.0016	459 - 466	1.6580	1.6445	1.6452	0.8	1.6429	0.8	1.6265	1.1	96.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0914	+0.0043	903 - 925	2.1014	2.0877	2.0927	-0.7	2.0934	-0.4	2.093	-0.1	92.5
Hong Kong	(HK$)	12.7297	+0.0117	261 - 332	12.8197	12.7169	12.7224	0.7	12.7085	0.7	12.6439	0.7	-
India	(Rs)	58.8568	-0.2127	619 - 516	59.2240	58.7619	-	-	-	-	-	-	-
Israel	(Shk)	5.3339	+0.0013	274 - 404	5.3718	5.3274	-	-	-	-	-	-	-
Japan	(Y)	183.129	-0.337	008 - 250	185.050	182.720	182.239	5.8	180.379	6.0	172.349	5.9	130.2
Malaysia	(M$)	4.1454	+0.0035	437 - 471	4.1748	4.1409	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3211	+0.0031	198 - 224	2.3385	2.3195	2.3278	-3.5	2.3373	-2.8	2.358	-1.6	111.3
Philippines	(Peso)	43.2553	+0.0325	296 - 809	43.2809	43.2296	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1743	+0.0058	726 - 759	6.2183	6.1680	-	-	-	-	-	-	-
Singapore	(S$)	2.3023	-0.0008	010 - 036	2.3212	2.3010	-	-	-	-	-	-	-
South Africa	(R)	7.7300	-0.0149	242 - 357	7.8096	7.7242	-	-	-	-	-	-	-
South Korea	(Won)	1363.42	+0.37	297 - 388	1372.99	1362.14	-	-	-	-	-	-	-
Taiwan	(T$)	45.2653	+0.0081	540 - 766	45.5864	45.2186	-	-	-	-	-	-	-
Thailand	(Bt)	41.8518	-0.0272	388 - 648	42.1810	41.8060	-	-	-	-	-	-	-

† Rates for Nov 8. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 11		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.5476	-0.0486	455 - 496	10.5920	10.5360	10.5279	2.2	10.4876	2.3	10.2925	2.4	104.8
Belgium	(BFr)	30.8640	-0.157	690 - 190	31.0100	30.8600	30.824	2.3	30.7065	2.4	30.1665	2.4	105.8
Denmark	(DKr)	5.7670	-0.0275	660 - 680	5.7890	5.7584	5.7581	1.9	5.7397	1.9	5.658	1.9	106.8
Finland	(FM)	4.5247	-0.0245	222 - 272	4.5496	4.5222	4.5199	2.3	4.4972	2.4	4.4147	2.4	83.8
France	(FFr)	5.0723	-0.0213	665 - 780	5.0987	5.0679	5.064	2.0	5.046	2.1	4.9703	2.0	108.5
Germany	(DM)	1.4990	-0.0068	987 - 992	1.5053	1.4970	1.4961	2.3	1.4902	2.4	1.4654	2.2	107.5
Greece	(Dr)	237.195	-0.73	140 - 250	238.720	236.510	238.75	-7.9	241.32	-7.0	252.345	-6.4	67.2
Ireland	(I£)	1.6526	+0.0024	518 - 533	1.6615	1.6489	1.6522	0.3	1.6518	0.2	1.6498	0.2	-
Italy	(L)	1512.25	-4.71	150 - 300	1519.95	1511.25	1515.42	-2.5	1521.85	-2.5	1534.9	-1.5	76.4
Luxembourg	(LFr)	30.8640	-0.157	690 - 190	31.0100	30.8600	30.824	2.3	30.7065	2.4	30.1665	2.4	105.8
Netherlands	(Fl)	1.6815	-0.0078	810 - 820	1.6890	1.6788	1.6777	2.7	1.6697	2.8	1.6341	2.8	105.8
Norway	(NKr)	6.3030	-0.0247	020 - 040	6.3654	6.2998	6.2990	0.7	6.2936	0.6	6.288	0.3	99.3
Portugal	(Es)	151.900	-0.45	850 - 940	152.700	151.700	152.105	-1.6	152.4	-1.3	153.175	-0.8	95.0
Spain	(Pta)	126.260	-0.525	250 - 270	126.770	126.130	126.44	-1.7	126.7	-1.4	127.385	-0.9	80.0
Sweden	(SKr)	6.5862	-0.0012	824 - 900	6.6170	6.5850	6.5834	0.5	6.5835	0.2	6.5592	0.4	89.0
Switzerland	(SFr)	1.2606	-0.0068	602 - 610	1.2663	1.2580	1.2568	3.7	1.249	3.7	1.2161	3.5	107.8
UK	(£)	1.6463	+0.0016	459 - 466	1.6580	1.6445	1.6452	0.8	1.6429	0.8	1.6265	1.1	90.5
Ecu	-	1.2767	+0.0062	760 - 774	1.2788	1.2720	1.278	-1.3	1.2812	-1.4	1.2877	-1.6	-
SDR†	-	0.688487	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-0.0001	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0297	-	295 - 298	1.0298	1.0288	-	-	-	-	-	-	-
Canada	(C$)	1.3339	+0.003	336 - 341	1.3341	1.3315	1.3319	2.1	1.3265	2.2	1.299	2.6	83.8
Mexico	(New Peso)	7.8970	-0.013	920 - 020	7.9020	7.8920	8.015	-17.9	8.2815	-19.5	9.142	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.2703	-0.0418	869 - 874	1.2865	1.2674	1.2718	-1.4	1.2737	-1.1	1.2792	-0.7	94.4
Hong Kong	(HK$)	7.7325	-0.0002	320 - 330	7.7330	7.7320	7.7324	0.0	7.7329	0.0	7.744	-0.1	-
India	(Rs)	35.7550	-0.165	500 - 600	35.8000	35.7000	35.967	-7.2	36.427	-7.6	-	-	-
Israel	(Shk)	3.2401	-0.0022	365 - 433	3.2433	3.2388	-	-	-	-	-	-	-
Japan	(Y)	111.240	-0.31	190 - 290	111.960	111.030	110.785	5.1	109.75	5.3	105.56	5.1	130.3
Malaysia	(M$)	2.5161	-0.0002	176 - 186	2.5186	2.5175	2.521	-1.4	2.5283	-1.3	2.5476	-1.2	-
New Zealand	(NZ$)	1.4098	-0.7	090 - 095	1.4105	1.4094	1.4153	-4.7	1.4196	-2.8	1.4511	-2.9	-
Philippines	(Peso)	26.2750	-0.005	650 - 850	26.2850	26.2650	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.7506	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.3985	-0.0018	980 - 990	1.4010	1.3960	1.3963	1.8	1.3918	1.9	1.3705	2.0	-
South Africa	(R)	4.6955	-0.0135	930 - 980	4.7180	4.6930	4.7362	-10.4	4.8112	-9.9	5.126	-9.2	-
South Korea	(Won)	828.200	-0.55	100 - 300	828.900	827.900	-	-	-	-	-	-	-
Taiwan	(T$)	27.4960	-0.021	950 - 970	27.4970	27.4920	27.4961	0.0	27.4963	0.0	-	-	-
Thailand	(Bt)	25.4225	-0.0405	200 - 250	25.4700	25.4170	25.5125	-4.2	25.68	-4.1	26.3175	-3.5	-

† SDR rate per $ for Nov 8. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 8: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

November 11	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
week ago	3	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.20	-	4.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.20	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.00	7.50	8.05
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.00	7.50	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	3	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	3	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.00	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.00	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.11	5.08	5.14	5.26	-	-	-
week ago	-	5.11	5.08	5.13	5.27	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 11	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (Nov 8)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.46	96.44	-0.04	96.48	96.44	15,637	52,331
Mar	96.40	96.38	-0.02	96.42	96.37	14,311	51,534
Jun	96.36	96.33	-0.03	96.38	96.32	3,579	29,914

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.78	96.78	-	96.79	96.76	6592	206043
Mar	96.77	96.78	+0.02	96.79	96.77	4727	190546
Jun	96.63	96.65	+0.03	96.66	96.63	8776	167358
Sep	96.44	96.47	+0.04	96.49	96.44	8143	144634

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.70	92.71	-0.01	92.72	92.66	4305	69300
Mar	93.28	93.30	-0.01	93.32	93.26	4511	81332
Jun	93.58	93.60	-	93.62	93.56	2304	37265
Sep	93.87	93.89	+0.01	93.70	93.84	842	22706

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.05	98.08	+0.00	98.08	98.03	4222	32071
Mar	97.96	98.02	+0.10	98.07	97.95	3633	31476
Jun	97.75	97.83	+0.11	97.83	97.75	1471	16527
Sep	97.55	97.60	+0.12	97.59	97.52	621	6668

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		99.42	-			0	na
Mar		99.29	-			0	na
Jun	99.08	99.09	-0.01	99.09	99.08	329	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.80	95.81	+0.02	95.81	95.80	172	7256
Mar	95.79	95.80	+0.02	95.79	95.79	44	5954
Jun		95.77	+0.02			-	3235
Sep	95.65	95.67	+0.03	95.67	95.65	105	3073

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 11		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.67	16.42	4.851	1.958	4894	5.442	20.41	491.7	408.6	21.35	4.080	1.966	4.318	3.238	360.0	2.534
Denmark	(DKr)	53.57	10	8.795	2.598	1.049	2622	2.916	10.93	263.4	218.9	11.44	2.186	1.053	2.313	1.735	192.9	1.358
France	(FFr)	60.91	11.37	10	2.954	1.193	2981	3.315	12.43	299.5	248.9	13.01	2.485	1.198	2.630	1.972	219.3	1.544
Germany	(DM)	20.62	3.848	3.385	1	0.404	1009	1.122	4.208	101.4	84.23	4.402	0.841	0.405	0.890	0.668	74.22	0.522
Ireland	(I£)	51.06	9.532	8.384	2.477	1	2499	2.779	10.42	251.1	208.6	10.90	2.083	1.004	2.205	1.654	183.8	1.294
Italy	(L)	2.043	0.381	0.335	0.099	0.040	100.	0.111	0.417	10.05	8.349	0.436	0.083	0.040	0.088	0.066	7.356	0.052
Netherlands	(Fl)	18.37	3.430	3.017	0.891	0.360	899.2	1	3.750	90.35	75.07	3.923	0.750	0.361	0.793	0.595	66.15	0.466
Norway	(NKr)	49.00	9.146	8.044	2.377	0.960	2398	2.667	10	240.9	200.2	10.46	1.999	0.963	2.116	1.587	176.4	1.242
Portugal	(Es)	20.34	3.796	3.339	0.986	0.398	995.2	1.107	4.150	100.	83.09	4.342	0.830	0.400	0.878	0.659	73.21	0.515
Spain	(Pta)	24.48	4.569	4.018	1.187	0.479	1198	1.332	4.995	120.4	100.	5.226	0.999	0.481	1.057	0.793	88.11	0.620
Sweden	(SKr)	46.83	8.742	7.689	2.272	0.917	2292	2.549	9.558	230.3	191.3	10	1.911	0.921	2.022	1.517	168.6	1.187
Switzerland	(SFr)	24.51	4.575	4.024	1.189	0.480	1200	1.334	5.002	120.5	100.1	5.234	1	0.482	1.058	0.794	88.24	0.621
UK	(£)	50.86	9.494	8.350	2.467	0.996	2489	2.768	10.38	250.1	207.8	10.86	2.075	1	2.196	1.647	183.1	1.289
Canada	(C$)	23.16	4.323	3.802	1.123	0.454	1133	1.260	4.727	113.9	94.63	4.945	0.945	0.455	1	0.750	83.38	0.587
US	($)	30.88	5.764	5.070	1.498	0.605	1511	1.681	6.302	151.9	126.2	6.594	1.260	0.607	1.333	1	111.2	0.783
Japan	(Y)	27.78	5.185	4.560	1.347	0.544	1359	1.512	5.669	136.6	113.5	5.931	1.133	0.546	1.199	0.900	100.	0.704
Ecu		39.46	7.365	6.478	1.914	0.773	1931	2.147	8.053	194.0	161.2	8.425	1.610	0.776	1.704	1.278	142.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6667	0.6684	+0.0021	0.6684	0.6660	30,026	81,463
Mar	0.6708	0.6713	+0.0012	0.6713	0.6699	657	4,593
Jun	-	0.6740	-	-	0.6725	21	2,492

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7939	0.7972	+0.0042	0.7972	0.7924	22,193	47,743
Mar	0.7994	0.8028	+0.0030	0.8028	0.7994	250	3,735
Jun	-	0.8085	+0.0020	-	-	1	665

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9011	0.9037	+0.0053	0.9053	0.9025	25,599	71,488
Mar	0.9160	0.9152	+0.0055	0.9167	0.9145	440	3,358
Jun	0.9260	0.9260	-	0.9260	0.9260	3	510

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6482	1.6474	+0.0008	1.6560	1.6430	8,904	57,960
Mar	1.6412	1.6426	-0.0006	1.6426	1.6412	26	997
Jun	-	1.6400	-	1.6400	1.6350	45	204

UK INTEREST RATES

LONDON MONEY RATES

Nov 11	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 4	6 1/16 - 5 15/16	6 3/16 - 6 1/16	6 3/8 - 6 1/4	6 9/16 - 6 7/16	6 7/8 - 6 3/4
Sterling CDs	-	-	6 1/8 - 6 1/16	6 5/16 - 6 7/32	6 15/32 - 6 13/32	6 25/32 - 6 23/32
Treasury Bills	-	-	5 29/32 - 5 27/32	5 31/32 - 5 15/16	-	-
Bank Bills	-	-	5 31/32 - 5 29/32	6 1/16 - 6	6 1/4 - 6 3/16	-
Local authority deps.	6 3/8 - 6	6 - 5 3/4	6 1/16 - 6	6 1/8 - 6 1/16	6 5/16 - 6 3/16	6 9/16 - 6 7/16
Discount Market deps	6 - 4 7/8	6 - 5 7/8	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Nov 8, 5.9068pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1996. Agreed rate for period Nov 26, 1996 to Dec 24, 1996, Scheme III 7.25pc. Reference rate for period Oct 1, 1996 to Oct 31, 1996, Schemes IV & V 6.001pc. Finance House Base Rate 6pc from Nov 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.61	93.60	+0	93.62	93.59	7836	102433
Mar	93.34	93.35	+0.02	93.36	93.33	7147	109507
Jun	93.03	93.05	+0.02	93.06	93.03	6334	98672
Sep	92.81	92.83	+0.02	92.84	92.81	1968	61190
Dec	92.64	92.66	+0.02	92.66	92.64	1401	46319

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9350	0.14	0.12	0.11	0.04	0.27	0.56
9375	0.02	0.04	0.05	0.17	0.44	0.75
9400	0	0.01	0.02	0.40	0.66	0.97

Est. vol. total, Calls 2278 Puts 1080. Previous day's open int., Calls 189852 Puts 151713

EMS EUROPEAN CURRENCY UNIT RATES

Nov 11	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.775184	+0.002849	-2.15	3.93	14
Portugal	195.792	195.103	+0.097	-0.35	2.05	2
Spain	162.493	162.185	-0.103	-0.19	1.89	1
Finland	5.80661	5.81417	-0.00282	0.13	1.56	-1
Netherlands	2.15214	2.15973	-0.00207	0.35	1.34	-3
Belgium	39.3960	39.6915	-0.0313	0.75	0.94	-5
Germany	1.91007	1.92594	-0.00178	0.83	0.85	-6
Austria	13.4383	13.5515	-0.0134	0.84	0.84	-6
Denmark	7.28580	7.40631	-0.00506	1.65	0.04	-11
France	6.40608	6.51453	-0.00229	1.69	0.00	-14
NON ERM MEMBERS						
Greece	292.867	304.140	-0.361	3.85	-2.08	-
Italy	2106.15	1941.15	+0.74	-7.83	10.34	-
UK	0.786652	0.777491	+0.003516	-1.16	2.89	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	Dec	Jan	PUTS Nov	Dec	Jan
1.620	-	-	3.58	0.02	0.63	1.07
1.630	1.90	2.51	2.94	0.16	0.93	1.42
1.640	1.16	1.95	2.41	0.42	1.32	1.84
1.650	0.61	1.44	1.91	0.88	1.81	2.35
1.660	0.27	1.03	1.49	1.54	2.44	2.87

Previous day's vol., Calls 4,438 Puts 5,388. Prev. day's open int., Calls 162,190 Puts 158,877

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.48	94.48	-	94.99	94.48	39,875	459,705
Mar	94.45	94.45	-	94.46	94.45	58,330	372,686
Jun	94.35	94.35	-	94.36	94.35	50,143	294,065

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.99	94.99	-0.01	94.98	94.99	77	3,584
Mar	94.94	94.94	-	94.94	94.94	73	2,661
Jun	-	94.86	-	-	-	28	1,496

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	Dec	Jan	Mar	PUTS Nov	Dec	Jan	Mar
9675	0.05	0.06	0.10	0.14	0.02	0.03	0.07	0.11
9700	0	0	0.01	0.04	0.22	0.22	0.23	0.26
9725	0	0	0	0.01	0.47	0.47	0.47	0.48

Est. vol. total, Calls 1010 Puts 1635. Previous day's open int., Calls 435078 Puts 326124

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9825	0.04	0.14	0.16	0.21	0.37	0.58
9850	0.01	0.06	0.08	0.43	0.54	0.75

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4238 Puts 2150

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9250	0.28	0.86	1.17	0.05	0.06	0.07
9275	0.10	0.65	0.95	0.14	0.10	0.10
9300	0.03	0.45	0.75	0.32	0.15	0.15

Est. vol. total, Calls 1560 Puts 1804. Previous day's open int., Calls 124458 Puts 72579

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	●Rea Brothers	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	5.75
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Singer & Friedlander	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	●Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	5.75	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	●Hill Samuel	5.75	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	5.75		
Credit Lyonnais	6.00	*Mount Credit Corp	6.25		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Cuban nickel and cobalt production hits record

By Pascal Fletcher in Havana

Cuba's production of nickel and cobalt this year has already surpassed the previous record high and is on track to reach 50,000 tonnes or more, according to Cuban officials.

Mr Ariel Masó, president of Cubaniquel, the state nickel exporter, said production was going well. "We are currently among the world leaders in terms of increasing our output."

Mr Masó said Cuban nickel mining had recovered from the slump it suffered with the collapse in 1990 of trade ties with the former Soviet bloc – previously the main market for Cuban nickel and the main provider of technical supplies to the industry.

Since then, exports had been redirected to Canada, Europe and other markets. Investment and credits from these new markets had helped to lift Cuban production of nickel and cobalt back up to 43,900 tonnes in 1995 from 26,362 tonnes in 1994. The previous high was 46,600 tonnes in 1989. Nickel/cobalt exports earned Cuba more than $300m last year.

Leading the production surge is a plant at Moa Bay in eastern Cuba, jointly operated by Canada's Sherritt International Corporation and the Cuban government. By the end of September, it had produced nearly 20,000 tonnes of contained nickel and cobalt in mixed sulphides, and looks set to finish the year with production of around 24,000 tonnes.

Sherritt, whose vertically-integrated nickel mining, processing and refining venture is one of the biggest foreign investments in Cuba, has said it will maintain and expand its operations there.

Cuba has been negotiating two other big nickel mining projects, with South Africa's Gencor and Australia's WMC.

The project under discussion with Gencor is understood to involve the possibility of completing an unfinished nickel processing plant in eastern Cuba, originally being built by a consortium of former Soviet bloc countries. In addition, Gencor would assess and develop a big surface nickel deposit in Camaguey province. Negotiations with Gencor are said to be at an advanced stage.

The project involving WMC is also understood to be awaiting a final, detailed contract. The Melbourne-based company said in January it had agreed with Cuba the basic principles of a joint venture to evaluate and, if viable, to develop a significant nickel deposit at Pinares de Mayari West, in Holguin province.

Cuba has one of the world's largest reserves of nickel/cobalt ore, estimated at about 800m tonnes.

Mr Masó cited the US Helms-Burton law, curbing foreign investment in Cuba, as a negative factor in efforts to expand the nickel industry. Under that law, foreign groups judged to be "trafficking" in formerly US-owned expropriated property in Cuba can be penalised.

Baltic freight breaches 1,500 level

MARKETS REPORT

By Susanna Voyle and Kenneth Gooding

Shipping rates for commodities moved higher yesterday, pushing the Baltic freight index through the 1,500 barrier for the first time since January.

The index – traded as a futures contract on the London International Financial Futures Exchange – has been moving up steadily since September 15, when it hit its lowest point for two years. It closed yesterday at 1,502, up from 1,477.

Mr David Cherrett from Clarkson Wolff, the shipping brokers, said the recent rises in the index appeared to be "a reaction to the delayed delivery of US grains to the ports".

On the London Metal Exchange copper continued its determined effort to stay above the $2,000 a tonne level. Copper for delivery in three months closed last night at $2,012, up $3 from Friday's close.

Another fall in LME stocks is expected today – they have dropped 59 per cent since the beginning of September to a six-year low of 113,400 tonnes.

Mr Nick Moore, analyst at Flemings Global Mining Group, said: "Traders remain wary about putting too much trust in the LME stock erosion. Assuming this copper is being harboured, not consumed, then at some stage it will be put back into LME warehouses."

The International Primary Aluminium Institute yesterday reported that total aluminium stocks at the end of September were at a four-year low of 3.257m tonnes, but this failed to have any market impact. Three-month aluminium closed down $2 at $1,448 a tonne.

Oil price resilience expected to continue

Traders and analysts see no immediate cause for renewed weakness before the new year

Oil prices firmed a little yesterday after a strong correction last Friday ended the downward drift in the markets over the past few weeks.

The price of Brent Blend for December delivery, the global benchmark, settled at $23.12 a barrel in London yesterday, up 14 cents on the close last Friday, when Brent jumped 77 cents.

The latest price move triggered market speculation on whether oil prices might retest their recent high of more than $25 a barrel, last seen in mid-October – or whether Friday's correction only amounted to a delay in a more general downward trend.

The recent resilience of crude oil and refined products such as jet fuel and liquefied petroleum gas has taken many large energy consumers, such as airlines and shipping companies, by surprise. The increases have also raised inflationary fears among some politicians and economists.

Yesterday Mr Hans Tietmeyer, the president of the Bundesbank, Germany's central bank, sought to reassure financial markets when he suggested that oil prices had already reached their peak.

"There has been some decline, but oil prices are still relatively high and much depends on the future of the supplier side, which means the Iraqi question, and further demand," said Mr Tietmeyer, who was speaking in Basle at the monthly meeting of central bank governors from the G10 industrialised countries.

Few traders or analysts see any immediate cause for renewed weakness in the oil price. "It's difficult to see the market retreat this side of the new year," said Mr Lindsay Horn at the London office of US brokers Lehman Brothers. He would prefer to see prices "tread water or strengthen over the next few days" in order to confirm the bullish view.

Weather conditions in the run-up to the northern winter are expected to be a big factor in coming weeks.

"I can't see how the market will take a huge bet on a downward turn since the northern winter doesn't really kick in until January and February," said Mr Rod Maclean, energy analyst at London brokers ABN Amro Hoare Govett.

He said stocks of heating oil in the US also remain unusually low for the time of year, ensuring that any early cold snap could trigger a scramble by consumers for additional supplies.

Many oil company executives also believe short-term prices will stay strong. British Petroleum last week predicted that prices were likely to remain firm for the rest of the year, although oil's strength this year had not caused it to change its long-term view on prices.

Mr John Browne, BP's chief executive, said the company still believed crude oil's long-term price range was between $16 and $18 a barrel. "The question is how you get from here to there," he said.

Aside from the weather, the other great uncertainty facing the market is whether, or when, Iraqi oil will return. Progress continues to be made on the technical aspects of the currently suspended UN oil-for-food plan, under which Iraq will be allowed to sell $2bn of oil every six months.

Baghdad is also continuing to offer long-term oil production deals to companies from countries which it hopes might be sympathetic to its position.

The prospect that Iraqi exports will appear in the first half of next year is a big factor behind forecasts from a number of City investment banks and brokers that average oil prices will slip to around $18 next year against $20 or so this year.

Traders, however, said the markets currently offer an unusual degree of insurance against a return of Iraqi oil.

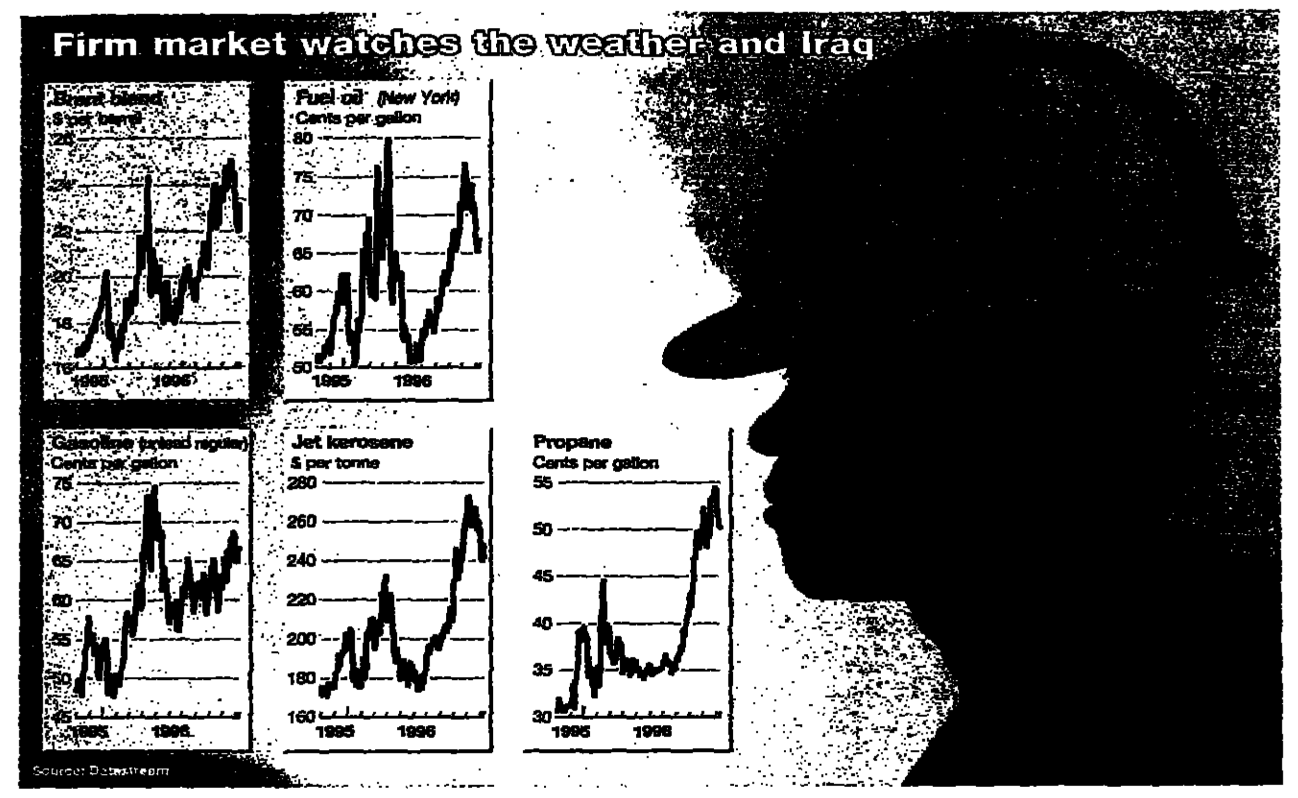
Mr Horn at Lehman Brothers noted that oil producers can lock in a price of $20 a barrel for dated Brent next year. Aside from a short period during the Gulf war, "we have the best hedging prices in 10 years... with very attractive hedging structures."

Also, some industry observers believe the political barriers to a deal with Iraq remain substantial. "The technicalities could dissolve in 24 hours if the political will was there," said Mr Robert Mabro of the Oxford Institute of Energy Studies.

Although Iraqi officials say they would like to see the scheme adopted as soon as possible, Mr Mabro suggests such sentiments may not extend to the country's top leadership.

"There are two major political obstacles" to the UN plan, he said. "The US doesn't want it and Saddam Hussein doesn't want it."

Robert Corzine



COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1422.5-3.5	1446-7
Previous	1438.5-9.5	1459-60
High/low		1454/1436
AM Official	1417-7.5	1439-40
Kerb close		1447-7.5
Open int.	236,197	
Total daily turnover	63,489	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1265-75	1295-300
Previous	1275-80	1300-05
High/low		1295
AM Official	1260-63	1290-97
Kerb close		1292-5
Open int.	6,457	
Total daily turnover	1,309	

■ LEAD ($ per tonne)

Close	728-9	731.5-2.5
Previous	741-2	743-4
High/low	726	735/727
AM Official	729-0.5	728.5-9.0
Kerb close		732-3
Open int.	39,808	
Total daily turnover	10,039	

■ NICKEL ($ per tonne)

Close	7075-85	7190-95
Previous	7165-75	7275-78
High/low	7065/7063	7210/7170
AM Official	7063-5	7175-6
Kerb close		7195-200
Open int.	45,975	
Total daily turnover	9,383	

■ TIN ($ per tonne)

Close	5865-75	5915-25
Previous	5885-95	5940-45
High/low		5940/5910
AM Official	5855-60	5910-15
Kerb close		5915-25
Open int.	16,501	
Total daily turnover	4,416	

■ ZINC, special high grade ($ per tonne)

Close	1026-9	1060-1
Previous	1047.5-8.5	1068-9
High/low	1030.5	1064/1051
AM Official	1030.5-31.0	1052-3
Kerb close		1059.5-60.0
Open int.	86,185	
Total daily turnover	16,021	

■ COPPER, grade A ($ per tonne)

Close	2085-88	2011-13
Previous	2100-02	2024-5
High/low	2161/2061	2015/1988
AM Official	2061-2	1991-2
Kerb close		2011-12
Open int.	164,769	
Total daily turnover	68,360	

■ LME AM Official £/$ rate: 1.6471
LME Closing £/$ rate: 1.6650
Spot: 1.6455 3 mths: 1.6432 6 mths: 1.6386 9 mths: 1.6343

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	96.05	+0.25	96.20	96.00	390	2,591
Dec	95.60	+1.25	95.80	94.10	9,244	22,654
Jan	94.10	+1.25	94.30	93.60	60	1,850
Feb	93.20	+1.35	93.20	93.20	180	1,062
Mar	92.25	+1.20	92.50	91.10	2,217	12,621
Apr	91.70	+1.35	91.70	91.70	93	553
Total					12,847	58,763

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	380.70-381.00		
Opening	378.60-379.00		
Morning fix	379.75	230.361	480.574
Afternoon fix	380.50	230.942	479.202
Day's High	380.80-381.10		
Day's Low	378.50-378.80		
Previous close	378.70-379.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.15	6 months	3.32
2 months	3.06	12 months	3.39
3 months	3.04		

Silver Fix	p/troy oz.	US cts equiv.
Spot	293.35	483.50
3 months	297.40	489.20
6 months	301.60	494.85
1 year	311.05	507.50

Gold Coins	$ price	£ equiv.
Krugerrand	379-380	229-231
Maple Leaf	385.75-388.20	
New Sovereign	88-91	53-55

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	382.3	+2.4	-	-	14	6
Dec	382.6	+2.3	382.8	380.2	30,602	92,162
Feb	384.6	+2.3	384.8	382.2	3,635	27,590
Apr	386.8	+2.3	386.8	384.5	704	12,650
Jun	389.1	+2.3	388.7	388.0	295	12,418
Aug	391.4	+2.3	-	-	321	4,390
Total					35,713	196,764

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	391.0	+4.0	391.5	388.5	559	18,333
Apr	393.5	+4.1	393.0	390.0	82	8,338
Jul	396.4	+4.1	-	-	1	989
Oct	399.7	+4.1	-	-	5	.136
Total						

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	118.00	-	118.75	117.50	601	6,353
Mar	119.10	-	119.75	119.00	278	1,442
Jun	120.20	-	120.00	120.00	71	216
Total						136

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Nov	488.2	+5.6	-	-	12	6
Dec	489.3	+5.5	490.0	481.0	12,913	58,009
Jan	491.3	+5.5	-	-	-	26
Mar	496.1	+5.5	496.0	491.0	2,030	17,061
May	500.4	+5.5	499.5	496.0	105	6,674
Jul	504.8	+5.5	502.0	500.0	20	5,508
Total					15,354	94,822

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	23.50	-0.09	23.84	23.37	50,481	74,849
Jan	23.26	-0.03	23.62	23.24	37,239	66,723
Feb	23.00	-0.05	23.23	22.93	8,854	38,231
Mar	22.68	-0.04	22.90	22.59	3,368	24,747
Apr	22.35	-0.06	22.56	22.29	1,859	17,845
May	22.00	-0.08	22.20	21.95	733	12,729
Total					105,269	398,128

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	23.12	+0.14	23.31	22.87	13,077	46,882
Jan	22.77	+0.17	22.93	22.62	8,249	50,234
Feb	22.27	+0.17	22.43	22.17	1,976	27,573
Mar	21.75	+0.15	21.90	21.65	1,132	28,651
Apr	21.23	+0.11	21.42	21.15	585	9,541
May	20.89	+0.02	20.92	20.85	307	4,978
Total						

■ HEATING OIL NYMEX (42,000 US galls; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	68.55	+0.02	70.15	68.60	17,318	39,903
Jan	68.70	+0.02	69.90	68.50	7,341	34,596
Feb	67.25	+0.17	68.20	66.80	3,931	17,032
Mar	64.65	+0.07	65.50	64.50	1,002	9,613
Apr	61.25	+0.02	62.10	60.90	281	5,437
May	58.90	+0.17	59.50	58.90	113	3,105
Total					30,447	128,248

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	220.50	+0.75	226.50	220.25	8,781	17,426
Jan	211.50	+0.50	217.00	211.50	9,667	24,738
Feb	206.75	+2.00	212.75	206.75	1,997	26,046
Mar	203.25	+2.25	206.25	203.25	643	8,713
Apr	198.50	+2.25	199.50	194.50	151	6,379
May	190.00	+2.50	192.25	189.75	57	4,558
Total						

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.720	+0.051	2.745	2.685	14,412	37,176
Jan	2.730	+0.082	2.750	2.705	8,771	26,971
Feb	2.490	+0.062	2.480	2.450	2,266	14,641
Mar	2.270	+0.057	2.275	2.240	920	10,397
Apr	2.085	+0.035	2.100	2.085	129	6,334
May	2.025	+0.033	2.025	2.010	477	5,703
Total					25,100	147,544

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	64.50	-0.77	67.25	64.10	16,051	23,780
Jan	63.05	-0.51	64.20	62.85	8,016	16,069
Feb	62.80	-0.26	63.70	62.65	2,089	6,542
Mar	63.15	-0.33	63.90	63.10	414	3,458
Apr	65.10	-0.30	66.85	65.10	787	2,831
May	63.90	-	63.90	63.90	335	1,271
Total					30,442	55,994

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	96.10	+1.35	94.50	94.50	20	45
Jan	97.85	+1.35	98.00	97.75	46	2,104
Mar	99.75	+1.55	199.90	98.80	129	1,889
May	100.90	+1.50	101.00	100.25	58	1,818
Jul	102.15	+1.50	-	-	-	298
Nov	97.15	+0.30	97.15	97.00	13	197
Total					240	6,361

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	383.50	+4.75	387.00	378.00	7,862	28,511
Mar	379.00	+4.00	381.00	374.00	4,907	18,461
May	357.25	+1.75	361.50	355.00	607	2,993
Jul	345.25	+2.75	348.00	342.50	871	11,221
Sep	349.00	+3.00	350.50	350.00	61	353
Dec	358.00	+5.00	360.00	359.00	-	185
Total					14,316	61,883

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	268.25	+0.75	269.75	267.50	42,488	128,491
Mar	271.75	+0.75	273.25	271.00	19,337	102,726
May	276.25	+0.75	277.75	275.75	8,828	44,871
Jul	279.00	+0.75	280.75	278.75	9,242	36,348
Sep	273.75	+0.75	276.00	273.50	86	4,408
Dec	270.75	-0.25	273.00	270.50	2,296	29,175
Total					82,340	347,783

■ BARLEY LIFFE (£ per tonne)

Nov	92.00	+0.50	92.25	92.25	5	292
Jan	93.00	+0.75	93.00	92.75	20	736
Mar	94.00	+0.50	94.00	94.00	-	217
May	95.50	+0.75	-	-	-	116
Sep	92.25	+0.25	-	-	-	1
Nov	94.25	+0.25	-	-	-	25
Total					32	1,387

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	680.00	-7.75	680.00	679.50	2,833	5,327
Jan	677.00	-8.00	688.00	676.00	31,878	70,309
Mar	678.50	-7.75	688.75	677.00	6,395	33,703
May	680.50	-7.25	690.00	679.50	1,996	17,918
Jul	682.75	-7.00	692.00	682.00	3,962	15,761
Aug	681.00	-5.00	688.00	680.00	28	1,876
Total					47,891	154,947

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	22.75	-0.24	23.07	22.71	6,312	42,118
Jan	23.01	-0.23	23.31	23.00	4,422	23,480
Mar	23.36	-0.23	23.66	23.42	2,667	20,105
May	23.70	-0.21	23.96	23.73	554	10,943
Jul	24.00	-0.19	24.25	24.00	581	5,345
Aug	24.05	-0.20	24.25	24.20	19	1,426
Total					14,577	105,704

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	226.7	-2.9	230.4	226.5	12,307	34,888
Jan	219.1	-2.9	223.3	219.0	6,526	16,884
Mar	213.4	-3.1	217.5	213.3	5,864	20,360
May	208.5	-3.9	213.5	209.8	1,705	10,450
Jul	208.0	-3.4	212.5	208.0	1,310	6,934
Aug	208.0	-3.2	212.0	209.5	84	1,417
Total					28,244	92,918

■ POTATOES LIFFE (£/tonne)

Mar	54.0	-	-	-	-	-
Apr	72.0	+2.9	72.0	70.0	85	1,315
May	80.4	+2.9	-	-	-	17
Jun	90.4	+2.9	-	-	-	-
Apr	117.0	+2.0	115.0	115.0	6	5
Total					85	1,340

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Nov	1558	+18	1560	1550	36	357
Dec	1510	+30	1515	1488	131	688
Jan	1451	+31	1451	1430	133	1,865
Apr	1460	+35	1460	1445	38	653
Jul	1200	+15	1200	1200	10	226
Oct	1320	+5	-	-	-	34
Total					350	3,743

	Close	Prev
BFI	1502	1477

FUTURES DATA
All futures data supplied by CMS.

Tea

The Tea Broker's Association reports, good general demand. Landed quality Assams sold well with a top price of 200 pence for the best. Others showed an easier tendency following quality. Brightest East Africans often appreciated upto 5 pence with all mediums fully firm to dearer. Offshore good demand at firm rates. Quotations: landed best available 200p/kg., good 130p/kg., good medium 118p/kg., medium 112p/kg., low medium 98p/kg.. The highest price realised this week was 200p for an Assam pd.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	905	+4	906	902	584	24,549
Mar	937	+3	941	934	1,149	45,411
May	954	+4	957	952	609	14,521
Jul	970	+4	973	970	304	12,475
Sep	987	+4	991	986	205	6,526
Dec	1000	+2	1001	999	60	4,906
Total					2,867	131,896

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1337	+4	1343	1333	2,340	10,709
Mar	1383	+6	1388	1380	2,413	34,016
May	1400	+5	1405	1398	839	9,836
Jul	1418	+5	1422	1417	175	7,095
Sep	1435	+7	1439	1433	46	6,016
Dec	1454	+7	-	-	11	898
Total					5,823	77,483

■ COCOA (ICCO) (SDR's/tonne)

Nov 8	Price	Prev. day
Daily	994.91	995.76

■ COFFEE LIFFE ($/tonne)

Nov	1520	-21	1545	1515	388	3,143
Jan	1430	-31	1459	1422	3,089	17,088
Mar	1372	-22	1395	1366	671	8,642
May	1353	-21	1373	1350	113	4,503
Jul	1356	-19	1370	1360	71	554
Sep	1356	-19	1360	1360	20	160
Total					4,372	34,128

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	119.95	-5.80	126.00	117.50	3,447	8,048
Mar	109.10	-2.75	112.25	106.60	2,902	13,192
May	105.95	-2.00	108.00	104.00	523	4,264
Jul	105.00	-2.40	107.20	104.00	109	1,184
Sep	104.00	-2.40	106.00	102.50	20	683
Dec	103.05	-2.20	102.00	101.50	31	464
Total						

■ COFFEE (ICO) (US cents/pound)

Nov 8	Price	Prev. day
Comp. daily	100.28	100.64
15 day average	99.32	99.08

■ WHITE SUGAR LIFFE ($/tonne)

Dec	307.7	+0.9	308.1	305.5	1,937	3,193
Mar	306.7	+1.0	307.3	304.5	1,808	14,642
May	306.8	+1.6	307.1	304.5	52	4,701
Aug	308.3	+0.9	308.8	305.0	245	2,074
Oct	302.4	+0.2	303.5	301.5	13	1,165
Dec	303.1	-2.1	306.0	305.4	13	324
Total						

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	10.55	+0.02	10.57	10.49	7,377	86,160
May	10.61	+0.03	10.63	10.57	1,766	30,028
Jul	10.53	+0.03	10.55	10.49	978	19,297
Oct	10.62	+0.02	10.54	10.49	479	11,521
Mar	10.54	+0.04	10.54	10.51	88	3,794
May	10.52	+0.03	10.52	10.52	16	803
Total					10,698	152,100

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	70.72	-0.59	71.10	70.35	3,577	21,885
Mar	72.78	-0.63	73.15	72.61	1,881	15,234
May	74.08	-0.57	74.40	73.81	373	9,361
Jul	74.85	-0.62	75.20	74.53	74	6,755
Oct	75.40	-0.25	75.60	75.50	21	1,255
Dec	75.26	-0.27	75.50	75.25	287	4,773
Total					6,198	58,746

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	107.30	-4.95	112.00	107.50	701	3,833
Jan	100.35	+2.70	100.50	97.65	936	9,879
Mar	103.30	+3.00	103.30	100.60	376	5,179
May	106.15	+2.95	106.00	104.00	90	1,257
Jul	108.65	+3.45	106.80	106.90	32	852
Sep	110.00	+2.80	109.95	109.95	1	251
Total					3,951	18,704

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 11	Nov 8	month ago	year ago
1882.2	1882.2	1876.7	2151.8

■ CRB Futures (Base: 1967 = 100)

Nov 8	Nov 7	month ago	year ago
239.72	238.74		

■ GSCI Spot (Base: 1970 = 100)

Nov 8	Nov 7	month ago	year ago
206.07	203.14	213.48	184.41

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	67.525	+0.8	67.800	66.825	5,374	34,844
Feb	64.525	+0.75	64.550	63.800	2,815	20,589
Apr	66.225	+0.5	66.250	65.700	1,423	13,941
Jun	63.850	+0.475	63.925	63.400	770	5,759
Aug	63.150	+0.425	63.225	62.750	179	6,656
Oct	65.575	+0.275	65.600	65.300	324	3,930
Total					10,907	86,424

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Dec	57.925	+0.425	58.525	57.225	4,723	12,139
Feb	77.050	-0.025	77.575	76.700	2,087	9,559
Apr	72.450	+0.2	73.050	72.100	459	3,709
Jun	76.050	-0.05	76.300	75.800	309	3,652
Jul	73.400	+0.15	73.400	72.900	151	1,069
Aug	70.300	-	70.400	70.000	116	901
Total					7,936	31,879

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	72.225	-2.25	74.950	72.150	1,813	4,703
Mar	71.975	-2.325	74.800	71.950	108	525
May	74.350	-1.9	75.800	74.000	33	457
Jul	74.900	-0.375	75.850	74.000	40	336
Aug	72.400	+0.95	71.800	71.500	5	51
Total					2,000	6,072

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1400	55	99	14	36
1500	10	48	69	84
1600	1	20	159	154
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
1900	173	167	10	74
2000	97	115	34	121
2100	46	78	82	180
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1400	67	58	37	84
1450	41	38	61	116
1500	24	25	94	153
■ COCOA LIFFE	Dec	Mar	Dec	Mar
900	13	52	8	15
925	4	39	24	27
950	2	28	47	41
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
2200	-	121	-	47
2250	-	-	-	-
2300	11	-	11	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$20.93-0.98x	+0.440
Brent Blend (dated)	$22.63-2.67	+0.485
Brent Blend (Dec)	$23.08-3.12	+0.535
W.T.I.	$23.52-3.55x	+0.425

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$231-233	
Gas Oil	$222-223	+1.5
Heavy Fuel Oil	$129-114	+3
Naphtha	$222-225	+2.5
Jet fuel	$243-245	+1
Diesel	$231-233	+1

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	14.85-5.15

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

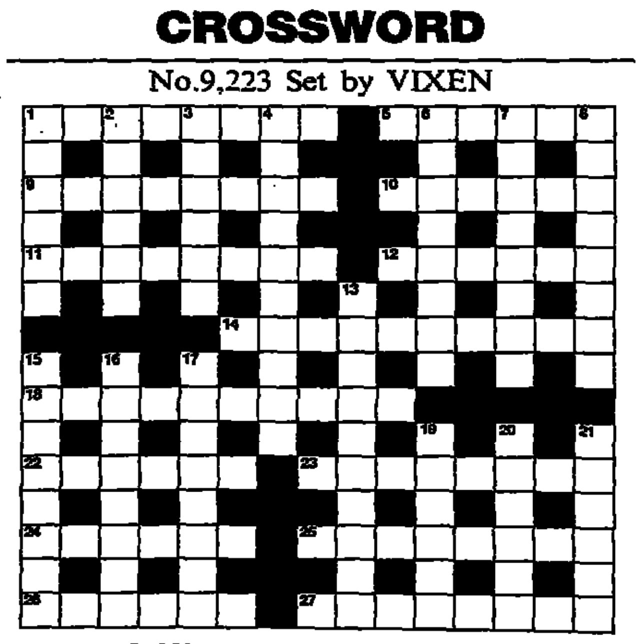
Gold (per troy oz)♣	$380.85	+1.95
Silver (per troy oz)♣	487.00c	+5.5
Platinum (per troy oz.)	$386.00	+4.5
Palladium (per troy oz.)	$117.00	+1.0
Copper	102.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.70r	
Tin (New York)	274.50	-2.0
Cattle (live weight)	104.01p	+4.33*
Sheep (live weight)	137.37p	+12.64*
Pigs (live weight)†	89.59p	+1.31*
Lon. day sugar (raw)	$263.60	+0.30
Lon. day sugar (wte)	$312.60	
Barley (Eng. feed)	£100.4	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	80.75p	
Rubber (Jan)♥	80.75p	
Rubber (KL RSS No1)	321.0z	-0.5
Coconut Oil (Phil)§	$770.0v	+5
Palm Oil (Malay.)§	550.5z	-2.5
Copra (Phil)§	$435.0z	
Soyabeans (US)	188.0z	-2.0
Cotton Outlook'A' index	75.20	
Wooltops (64s Super)	398p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Dec v Nov/Dec z Nov ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,184 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,223 Set by VIXEN



ACROSS

1 Cut down when appropriate (8)
5 Small organisation with a large quantity of Russian currency (6)
9 Control apparent as others fall (8)
10 Remove obstruction dumped in a river (6)
11 Covered outbuilding holding in the warmth (8)
12 Fools accepting credit for rejects (6)
14 A number write to store staff (10)
18 Reading about medicine returned and expressing criticism (10)
22 Bill has very little cash, resulting in stress (6)
23 Incensed about deck being wet (8)
24 Defence put out, by a lie (6)
25 They're all for viewers' clean-up endeavours (3-5)
26 The man wanting a little modern establishment (6)
27 A fruit worker given flat accommodation (8)

DOWN

1 Stop allowing a right to a break (6)
2 She's helpful with complaints, relatively speaking (6)
3 Make a fresh appraisal concerning blame (6)
4 Cheating by using a non-electric tool (10)
6 Through with the players, and that's not very bright! (8)
7 Tea-lover maybe, getting a lift from it (8)
8 Hold on to account as a reminder (8)
13 Mint coinage bearing the queen's head? (10)
15 Rush to cook some eggs (8)
16 Currently popular case for doing nothing whatsoever (8)
17 Turns red as men behave badly (8)
19 A historian getting up to monkey tricks' (6)
20 The woman who's always seen in a smart hat (6)
21 Waters on time (6)

Solution to Saturday's prize puzzle on Saturday November 23.
Solution to yesterday's prize puzzle on Monday November 25.

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)
4 Rue Jean Monet, L-2180 Luxembourg 352 424949320

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Latin America Equity		$48.22	48.64	—	-
North America Equity		$82.73	83.14	—	-
Asian Tigers Equity		$82.29	82.90	—	-
Europe Equity		$73.75	74.12	—	-
Germany Equity		[illegible]	138.17	—	-
Japan Equity		$48.34	48.82	—	-
Europe Bond		$81.30	81.49	—	-
US Bond		$50.37	50.62	—	-
Global Bond		$81.30	81.49	—	-
Germany Bond B		[illegible]	109.30	—	-
Spain Bond		[illegible]	10004	—	-
Eastern Europe Equity F		[illegible]	178.89	—	-
China Equity F		$59.31	37.01	—	-
Switzerland Equity		[illegible]	124.04	—	-

Abtrust Fund Mngrs Luxembourg SA (u)
4 Boulevard Royal L 2449 Luxembourg 00 352 227001
Abtrust Atlas Fund

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Global Cap Portfolio		$3.817		+0.010	-
United States Portfolio		[illegible]		+0.016	-
Cont'l Europe Portfolio . 0		[illegible]		+0.016	-
Japan Portfolio		$0.802		-0.002	-
Pacific Portfolio		$8.003		-0.007	-
Gold Portfolio		$9.257		+0.025	-
UK Growth of Income		£2.035		+0.002	3.01
Dollar Portfolio		$1.4679		+0.001	7.03
Sterling Portfolio		£1.0619		—	6.30

Fidelity Funds - Contd.
Country Select Funds

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
ASEAN		$19.98		+0.07	-
Asian Special Situations		$10.85		+0.02	-
Australia		A$17.01		+0.14	1.29
Emerging Markets		$8.347		+0.015	-
European Sm Cos F		DM13.73		+0.02	-
France		FF95.95		+0.05	-
Germany		DM21.35		+0.09	-
Hong Kong		$51.57		+0.05	0.58
Iberia		Pta1906		+1	-
Indonesia		$10.84		+0.13	-
Italy		L14309		-109	-
Japan Smllr Cos		Y1040		—	-
Korea F		$7.802		-0.053	-
Latin America		$8.421		-0.016	0.54
Malaysia		$34.37		-0.05	-
Nordic		SKr185.8		+0.5	-
Singapore		$24.79		+0.27	-
Switzerland		SFr15.04		-0.02	-
Thailand		$28.42		+0.22	-
United Kingdom		£1.128		+0.003	-

Bond Funds

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
European		Ecu11.18		—	5.83
International		$1.066		—	3.28
US Dollar		$5.683		-0.002	5.72
Sterling		£0.249		-0.001	6.26
Yen		Y1065		-5	2.45

Balanced

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
European Balanced		DM12.86		+0.01	1.92

Prices as at November 8

Mercury Asset Management S.A. - Contd.

	Selling Price	Buying Price
Global Equity	$90.25	72.90
Emerging Markets	$11.57	12.16
Gold & Mining	$10.22	10.77
Australian & New Zealand	$24.95	25.30
Eastern European	[illegible]	40.45
European	$40.41	42.55
Japan	$20.91	22.02
Latin American	$8.14	9.63
North American	$44.82	46.98
Pacific	$19.19	20.21
Singapore & Malaysian	$29.95	31.50
United Kingdom	$40.65	42.80
Asian Opps	$26.46	27.80
European Opps	$33.39	35.09
Global Opps	$11.10	11.70
Japan Opps	$17.64	18.58
North American Opps	$42.56	44.80
United Kingdom Opps	£18.49	19.39
DM Reserve	DM125	112.57
Dollar Reserve	$105.84	105.95
Sterling Reserve	£110.05	110.07
Swiss Franc Reserve	SFr107.97	107.39

Mercury Offshore Stlg Tst-SICAV (u)

	Selling Price	Buying Price
Global	[illegible]	1.885
Overseas	$1.872	1.962
European	$2.332	2.467
Japan	$0.876	0.929
North American	$2.518	2.656
Pacific	[illegible]	2.347
United Kingdom	[illegible]	1.960
Reserve	[illegible]	0.916

Astra Master Fund (u) (x)
21 avenue de la Liberte, L-1931, Lux 00 352 478 96500

	Selling Price	+ or -	Yield Gr's
Aust/Asian NAV	A$17.28	+0.06	-
Austrian Nat NAV	Sch84.19	+0.02	-
Belg/Lux NAV	BFr773 81	+1.26	-
Dutch Nat NAV	Dfl40.15	+0.21	-
French Nat NAV	FFr135.38	-0.49	-

Fleming Group (u)
6 Route De Treves L-2633 Senningerberg Luxembourg
00 352 34101 or 0800 889 264
Fleming Flagship Fund (daily dealing)

	Selling Price	Buying Price	+ or -	Yield Gr's
FFF American	$52.68	55.73	+0.38	-
FFF Asian Fled'ing F	$62.62	66.25	+0.11	-
FFF Asian Smaller Cos F	$10.42	11.05		-
FFF China	$12.07	12.77	-0.14	-

Midland Intl Circuit Fund SICAV(u)
Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey

	Selling Price	Buying Price
UK Growth	$1.431	1.507
European Growth	[illegible]	1.779
European Opps	$4.191	4.412
Japan Growth	[illegible]	0.876
Japanese Opps	$2.194	2.31
Pacific Growth	$1.987	2.089

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PAPER, PACKAGING & PRINTING - Cont.

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, FOOD - Cont.

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Trans Can Pipe	♥	1096	-¼	10⅞	6⅞	1,950	3.6	
Western Star Trucks		14⅛	-¼	21⅛	14⅛	162.9	-	

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	g	£29½xd	-	£34⅛	£20½	1,844	3.4	ф
Barlow	♣†	635	-¼	£10⅛	625	1,046	2.3	-
Gold Flds Prop R		125½	-	170	120	12.8	6.2	10.8
MK Props		92	-	95	80	2.49	13.3	-
SASOL	♥	845	-	710	475	3,777	1.8	ф
SA Brews		£15	-¼	£20¼	£15	4,413	2.2	ф
Standard Bank		£21⅜	-¼	£32⅞	£21⅜	2,808	1.6	20.8
Tiger Oats	†	790	-	1270	770	1,188	1.9	17.9
Tongaat-Hulett		663½xd	-¼	1247	683	645.9	2.5	ф

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, *in pence per share, along with the percentage discounts (Dis) or* premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ☐ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ *Indicated dividend yield after pending scrip and/or rights issue*
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a *Yield based on annualised dividend.* b *Figures based on prospectus or other official estimates.* g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment.

F Yield based on prospectus or other official estimates for 1996-97. G *Assumed yield after pending scrip and/or rights issue.* H Yield based on prospectus or other official estimates for 1995. K *Yield based on prospectus or other official estimates for* 1996. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Dividend is paid in whole or part as a

FID (Foreign Income Dividend) R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

ф This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report *of any company annotated with* ♣. *Please quote* the code FT2732. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

☆ FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.

Company Focus (FT news) £8.45.

Focus Plus (FT and Investors Chronicle news) £10.95.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Another Wall Street record lifts UK stocks

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

UK stocks scrambled their way back from an early bout of weakness to end a relatively quiet session modestly higher on balance helped once again by a powerful opening performance by Wall Street and a strong showing by global bond markets.

The latter raced to another all-time intraday high minutes after the start of trading, driven by a good showing by oil stocks, which responded to a spate of cold weather across the east coast of the US.

But it was only during the last hour or so of trading that London's FTSE 100 index managed to move into positive territory, having spent most of the session fretting about the potential for further rises in UK interest rates.

Earlier in the day, London had reacted quite violently to the October producer prices data, which showed a surprisingly high 0.5 per cent increase in producer input prices. This number, however, was quickly revealed as being influenced by the recent uptick in oil prices.

The close of trading saw Footsie 3.9 higher at 3,914.7, but there was less success for the second-line stocks where the FTSE 250 settled only 0.2 ahead at 4,395.8. The SmallCaps fared better with that index gaining 0.9 to 2,159.7.

Marketmakers remained sceptical of the market's ability to remain above the 3,900 level in the short term, but said London would march in tune with Wall Street. One dealer was extremely wary of the US market and said: "Wall Street is flying on nitrous oxide at the moment. It could grind to a halt and go the other way at any moment."

Some strategists see opportunities in the UK market after its recent 150-points plus setback from its October 21 closing high.

Noting the impact on the equity market of the recent interest rate rise and the strength of sterling, Mr Bob Semple, UK equity market strategist at NatWest Securities, said: "If the market falls further from current levels, we would be looking to buy, as the downside is limited."

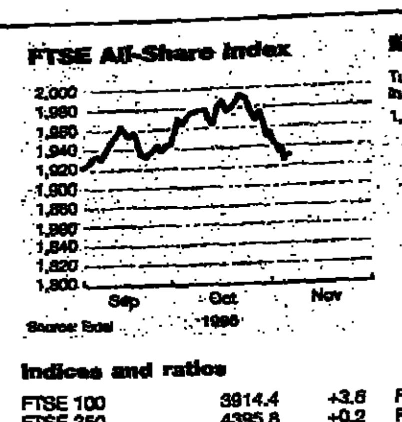
He said that, for those prepared to take a longer perspective, pre-emptive policy action points to lower inflation in the medium term and a strong underpinning from gilts in the second half of 1997.

The absence of the much-rumoured takeover bid for East Midlands Electricity did not prevent the shares from moving up strongly. Traders took the view that a bid from Dominion Resources would eventually materialise and that any offer would attract the attentions of a white knight. Houston of the US and Severn Trent, the UK water utility, were said to be interested in a counter-bid.

Big options trading ahead of Friday's interim figures drove Railtrack to the top of the FTSE 100 performance league while a buy note from Crédit Lyonnais Laing lifted ICI. The day's two newcomers, Majestic Wine and Scottish Highland Hotels, both made good market debuts.

Turnover at 6pm was a poor 492.8m shares while customer trading on Friday was worth £1.44bn.

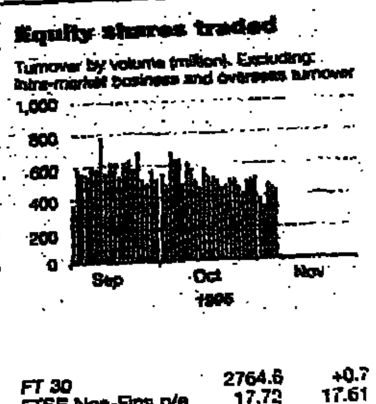
FTSE All-Share index



Source: Estel 1996

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



1996

Indices and ratios

FTSE 100	3914.4	+3.6
FTSE 250	4395.8	+0.2
FTSE 350	1954.9	+1.5
FTSE All-Share	1930.89	+1.38
FTSE All-Share yield	3.85	3.87
FT 30	2764.6	+0.7
FTSE Non-Fins p/e	17.72	17.61
FTSE 100 Fut Dec	3922.0	+3.0
10 yr Gilt yield	7.61	7.75
Long gilt/equity yld ratio	2.05	2.05

Best performing sectors

1. Oil: Integrated ....+1.3
2. Mineral Extraction ....+1.1
3. Electronic & Elec ....+1.1
4. Household Goods ....+1.0
5. Gas Distribution ....+0.7

Worst performing sectors

1. Diversified Inds ....−1.0
2. Engineering: Vehicles ....−0.6
3. Telecommunications ....−0.6
4. Water ....−0.5
5. Banks: Retail ....−0.4

Options boost for Railtrack

By Joel Kibazo, Steve Thompson and Lisa Wood

General institutional buying and a deal in the traded options sector boosted Railtrack Group, which reports interim figures later this week.

The partly paid shares gained nearly 5 per cent as they jumped 13 to 289p, making them the best performing stock in the FTSE 100 index. Volume was 3.7m.

The day's activity included an options trade said to have been carried out by Monument Securities. The broker is believed to have been the buyer of the December 300 calls.

Railtrack shares have been strong performers since the company came to the market in May. Having started trading at 200p, the stock hit an all-time high of 302.5p on September 27 and revisited that peak at the begining of October, before a bout of profit-taking and the recent slide in the market sent it down to more modest levels.

Railtrack is expected to report figures around the £145m mark and one analyst said: "What we will be looking for are signs that the transition from the public sector to the private sector is running smoothly."

Oil stocks made rapid progress as Brent crude for December delivery raced up 80 cents to around $23 a barrel in the wake of the cold weather in the UK and, more importantly, across the east coast of the US.

News of a strike by Venezuelan oil workers was also seen as a bullish factor behind the rise in prices. One senior oil analysts said oil at $23 a barrel was "great news for the oil major bulls". Many oil analysts have factored in average oil prices of around $18 for 1997.

Shell was by far the best individual performer in the oil sector and took fifth place in the FTSE 100 performance league, closing a net 19½ stronger at 987p, with analysts adopting the view that the stock had been heavily oversold following the third-quarter figures.

BP also attracted keen interest, the shares settling a net 5½ firmer at 650½p, ex-dividend. Enterprise Oil moved up 6 to 552½p.

BSkB fell 7 to 515p after media reports that it could suffer regulatory worries with Oftel, the telecoms watchdog, due to take over regulation of the satellite broadcaster next year when it switches to digital technology.

A note from Lehman Brothers on BSkyB gave an "underperform" recommendation. It said that despite the recent decline in BSkyB the shares remained overvalued. "Our fair value for BSkyB's shares is 481p, 16 per cent below the [then prevailing] market level," said Lehman Brothers, which added that it was positive on future growth, but that the important issue was value.

Utilities remained a talking point, although a much-rumoured dawn raid for East Midlands failed to materialise.

US utility Dominion Resources had been expected to launch its £1.2bn-plus bid for the East Midlands, which it has admitted it is keen to acquire. No bid was announced. Interest in the stock remained and the shares gained another 10 to 603½p with talk late in the session suggesting the anticipated raid may be on the cards for today.

In the rest of the sector, Northern Ireland were wanted and the shares jumped 15 to 372½p in light volume. Dealers suggested renewed interest had triggered a squeeze in the stock on speculation that the group will soon be listed on the Dublin stock market and become a component of the Irish index.

Such a listing could lead to very heavy demand for stock, particularly from some of the leading Irish institutions seeking to adjust their portfolio weightings.

A broker's recommendation cheered ICI, helping the shares bounce 10 to 767½p. The team at Crédit Lyonnais favours the stock and, in a note to clients, said: "On most valuation parameters, ICI looks good value. As well as a substantial yield premium, the stock trades at a wide discount on price/sales and on enterprise value. The ungeared balance sheet presents the possibility of earnings-enhancing acquisitions or a share buy-back."

In the rest of the transport sector, interim figures from UK airports group BAA came in at the bottom end of market expectations and prompted a series of profit downgrades from several brokers. The shares relinquished 6 to 486p in trade of 2.6m. UBS was among the list of brokers that reduced its profits estimates, cutting its figure by £15 to £445m for the full year.

Sentiment in the stock was steadied by comments from the company that it did not believe it would be included in any future Labour government's plans for a windfall tax.

Capital Radio fell 16 to 577½p as the market deliberated on its £51m purchase of My Kinda Town, the restaurant chain, which climbed 20 to 187p.

Analysts said that investors were a little cautious about the radio station's move. The group's results were described as "reassuring" by one analyst.

Emap climbed 27½ to 750p after interim results which pleased the market. One analyst said the results had re focused the market's attention on the publishing group's fundamentals. Recently Emap has been involved in a boardroom disagreement.

Allied Domecq fell 16½ to 468p following press reports that it will not announce *any plans with today's* results either to demerge its operations or undertake a substantial restructuring. Allied had risen last week amid the demerger talk.

Airtours softened 7½ to 662½p on continuing concerns over an investigation by the Monopolies and Mergers Commission, announced last week, into the the UK travel industry.

Ladbroke was the second best performer in the FTSE 100, hardening 5 to 194p. The group is expected to give a trading update on Thursday when the news is expected *to be positive, with the only* problem likely to come from losses resulting from the recent day at Ascot *when Mr Frankie Dettori won seven* races in a row.

Majestic Wine made a sparkling market debut, closing at 204½p, a 44½p premium to its placing price of 160p per share.

Scottish Highland Hotels checked in to the stock market at 137½p after a *125p per* share placing.

A number of building stocks were among the best performers in the *FTSE 100*, with Wolseley gaining 9½ to 455p and Blue Circle rising 8 to 386½p.

HSBC James Capel reiterated "buy" recommendations on the stocks with the broker said to be bullish about prospects in the US.

FT 30 INDEX

	Nov 11	Nov 8	Nov 7	Nov 6	Nov 5	Yr ago	*High	*Low
FT 30	2764.6	2763.9	2761.8	2786.7	2781.0	2568.3	2885.2	2668.5
Ord. div. yield	4.13	4.14	4.14	4.10	4.11	4.13	4.22	3.76
P/E ratio net	16.70	16.67	16.66	16.82	16.80	15.42	17.46	15.80
P/E ratio nil	16.54	16.51	16.52	16.68	16.64	15.43	17.30	15.71

FT 30 since compilation: high 2885.2 18/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2759.7	2757.5	2753.8	2757.8	2757.2	2757.6	2758.7	2757.4	2763.3	2764.8	2751.7

	Nov 11	Nov 8	Nov 7	Nov 6	Nov 5	Yr ago
SEAQ bargains	35,618	38,779	38,308	39,163	37,653	27,680
Equity turnover (£m)†	-	1438.7	1254.2	1357.4	1448.6	1149.1
Equity bargains†	-	24,967	25,593	25,973	28,280	35,036
Shares traded (mil)†	-	426.7	435.9	452.6	476.3	603.7

†Excluding intra-market business and overseas turnover.

	Nov 11	Nov 8	Nov 7	Nov 6	Nov 5	Yr ago	*High	*Low
FTSE AIM	1023.70	1020.80	1019.70	1028.40	1029.50	-	1140.40	965.70

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	455	Total Highs	50	Total contracts	32,898
Total Falls	691	Total Lows	86	Calls	14,516
Same	1,449			Puts	18,382

Nov 11 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3917.0	3922.0	+3.0	3925.0	3901.0	5710	57429
Mar	3930.0	3937.5	+3.0	3930.0	3930.0	50	3829
Jun		3953.0	+3.0			0	1780

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4425.0	+0			0	4193
Mar			+0			0	0

FTSE 100 INDEX OPTION (LIFFE) (*3913) £10 per full index point

	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P
Nov	163½	1	113½	1½	65½	4½	25	16½	5	47	1	96	1	146	1	196
Dec	191	18½	149½	25½	111	37½	78	55	49	79	28	111	14½	151½	8	200
Jan	209½	29½	171½	41	134	54	102½	73	74	96½	51	125½	34	161	29½	202
Feb	236	47½	197	57½	162	71½	129½	90½	100	113	76	140½	55½	173	48	210½
Jun†			256½	112½			193	148½			143	198			98½	255

Calls 4,844 Puts 5,872

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P	4075 C	4075 P
Nov	184½	1	135½	1	87½	3	43½	9½	12½	28	1½	66½	1	115½	1	165½
Dec	212	16	168	22	127½	31	91	44	60½	63½	36½	89	19½	122	9	161
Jan	235	28½	194½	37½	155½	48½	120½	63½	89	82	62	105	41	134	25½	134
Mar	283½	55½			191½	81			130	117½			81½	167		
Jun†	311½	91½			264½	121			185	158			134½	204		

Calls 4,268 Puts 6,083 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	7.67	4	4	†Beaufort	4		-	-	-	45.7
-	F.P.	7.55	4¼	4	†Beechcroft	4		-	-	-	13.2
§157	F.P.	38.1	177½	172½	Brands Hatch	174½		W3.5	1.9	2.5	17.8
§130	F.P.	27.5	162½	158	Britt Allcroft	158½		L1.6	3.0	1.3	28.2
§135	F.P.	48.0	164½	155½	Charles Taylor	164½		L4.2	0.3	3.2	52.3
3	F.P.	7.02	4½	4	†Corp Exec Search	4½		-	-	-	-
§	F.P.	10.3	164½	155½	†Deep Sea Leisure	164½	+2	-	-	-	-
-	F.P.	31.9	605	600	First Russian C	602½		-	-	-	-
100	F.P.	61.0	113½	91½	†Geo Inter Med	91½		-	-	-	-
§100	F.P.	24.9	99½	99	Hlthcare Reform	99½		-	-	-	-
-	F.P.	10.8	132½	122½	†Jardinerie Ints	122½	-2	-	-	-	-
§285	F.P.	138.4	310	292½	John D Sports	297½		L4.3	2.5	1.8	28.0
72	F.P.	27.0	76½	71½	†Lotus Road	73		-	-	-	-
§	F.P.	28.1	204½	187½	†Majestic Wines	204½		-	-	-	12.0
§10	F.P.	4.23	12¼	11¼	†Mears Group	11¼		K0.2	-	2.1	-
75	F.P.	5.46	93½	90	†Mondas	90½		-	-	-	-
§134	F.P.	19.8	211½	187½	Oriental Rest	207½		-	-	-	23.5
§	F.P.	33.5	137½	130½	Scot Highland Ht	137½		R3.0	3.4	2.7	13.7
§250	F.P.	195.0	302	282½	Ultra Elctn	300	+½	RW6.5	3.3	2.7	20.3

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 8	% chg on day	Nov 7	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1876.22	+1.0	1860.45	1835.03	1.58	-	2520.73	1831.02
Regional Indices								
Africa (13)	2402.00	−0.5	2413.96	2429.02	3.19	35.16	3553.66	2332.70
Australasia (6)	2061.02	+1.8	2024.30	2245.39	2.70	20.63	2927.34	2005.75
North America (12)	1708.00	+1.4	1584.33	1509.72	0.75	64.60	2188.39	1596.25

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 11	Day's chge%	Nov 8	Nov 7	Nov 6	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	3914.4	+0.1	3810.6	3900.4	3935.7	3536.8	4.01	2.04	15.25	157.57	1631.01
FTSE 250	4395.8	.....	4395.6	4394.3	4413.9	3897.3	3.55	1.49	23.54	159.94	1792.83
FTSE 250 ex IT	4435.9	.....	4435.6	4435.2	4455.0	3919.6	3.65	1.52	22.57	167.93	1813.13
FTSE 350	1954.9	+0.1	1953.4	1949.2	1964.9	1759.2	3.91	1.94	16.51	77.10	1663.82
FTSE 350 Higher Yield	1862.9	.....	1862.8	1860.8	1876.4	1750.7	5.20	1.81	13.24	87.33	1335.48
FTSE 350 Lower Yield	2053.9	+0.1	2051.2	2044.9	2060.7	1772.5	2.75	2.14	21.20	57.40	1439.03
FTSE SmallCap	2159.68	.....	2158.84	2159.91	2162.61	1937.14	3.15	1.58	25.10	62.19	1797.20
FTSE SmallCap ex IT	2182.12	+0.1	2160.89	2162.91	2165.56	1923.74	3.35	1.65	22.60	66.16	1812.41
FTSE All-Share	1930.89	+0.1	1929.51	1925.79	1940.28	1736.92	3.85	1.91	16.95	74.59	1668.36

FTSE Actuaries Industry Sectors

	Nov 11	Day's chge%	Nov 8	Nov 7	Nov 6	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3755.02	+1.1	3712.89	3672.50	3689.22	2926.52	3.79	1.71	19.30	142.73	1645.88
12 Extractive Industries(6)	4022.62	+0.5	4000.71	4001.66	4088.52	4163.24	4.03	2.66	11.65	162.00	1198.94
15 Oil, Integrated(3)	3890.66	+1.3	3839.50	3790.22	3796.93	2913.08	3.96	1.55	20.31	154.36	1752.32
16 Oil Exploration & Prod(15)	2774.94	+0.2	2769.36	2743.08	2754.79	1861.24	1.87	1.71	39.23	52.93	1861.96
20 GEN INDUSTRIALS(275)	2001.15	.....	2000.37	2002.54	2019.80	1940.08	4.19	1.70	17.50	76.83	1114.92
21 Building & Construction(34)	1192.75	−0.1	1193.76	1190.54	1188.21	957.58	3.55	1.47	24.03	39.06	1015.93
22 Building Matls & Merchs(29)	1852.04	+0.4	1844.88	1852.08	1869.56	1897.93	4.17	1.41	21.30	74.81	955.57
23 Chemicals(25)	2380.29	+0.4	2370.54	2378.51	2391.96	2386.34	4.26	1.45	20.25	86.14	1147.39
24 Diversified Industrials(19)	1408.08	−1.0	1422.83	1420.52	1437.87	1768.25	7.19	1.61	10.82	89.41	811.80
25 Electronic & Elect Equip(36)	2288.05	+1.1	2261.50	2276.91	2303.03	2125.31	3.43	1.48	24.65	64.15	1205.60
26 Engineering(71)	2592.72	.....	2591.92	2588.37	2610.70	2127.10	3.16	2.26	17.55	72.59	1598.23
27 Engineering, Vehicles(14)	3175.68	−0.6	3195.00	3204.26	3235.67	2548.88	2.19	2.67	21.42	102.59	1675.97
28 Paper, Pckg & Printing(26)	2556.74	+0.1	2553.85	2546.16	2556.80	2790.79	4.04	1.84	16.81	92.21	1084.95
29 Textiles & Apparel(19)	1150.51	−0.1	1151.19	1152.48	1158.65	1446.55	6.21	1.17	17.27	53.39	716.81
30 CONSUMER GOODS(82)	3676.21	+0.2	3668.21	3651.88	3680.72	3454.07	3.94	1.92	16.50	132.90	1384.99
32 Alcoholic Beverages(6)	2710.51	−0.2	2716.21	2698.58	2730.91	2815.16	4.69	1.62	16.43	104.19	995.55
33 Food Producers(25)	2593.69	+0.6	2577.31	2525.04	2631.34	2465.72	4.20	1.79	16.59	88.73	1191.50
34 Household Goods(15)	2728.76	+1.0	2701.89	2673.92	2700.98	2506.35	3.75	2.25	14.85	101.22	1064.53
36 Health Care(18)	1915.18	+0.1	1912.48	1932.11	1955.09	1925.21	3.11	1.97	20.45	54.40	1780.98
37 Pharmaceuticals(14)	5691.13	+0.3	5676.71	5685.14	5748.30	4793.73	3.00	2.01	20.67	172.19	1968.54
38 Tobacco(2)	3543.31	−0.3	3555.69	3551.49	3525.04	4531.92	7.32	2.13	8.02	262.07	912.46
40 SERVICES(253)	2544.72	.....	2545.75	2544.88	2564.73	2142.53	2.94	1.98	21.52	75.90	1344.68
41 Distributors(30)	2890.58	.....	2892.01	2882.51	2902.25	2820.21	2.98	2.02	20.76	80.00	1082.50
42 Leisure & Hotels(25)	3160.59	.....	3159.80	3146.16	3165.17	2421.59	2.77	2.03	22.28	173.08	1718.77
43 Media(45)	4233.57	−0.1	4236.24	4246.06	4263.30	3424.80	2.16	2.07	27.91	92.04	1549.61
44 Retailers, Food(14)	1982.01	−0.4	1989.54	1973.57	1993.51	1928.36	3.96	2.31	13.66	70.37	1285.96
45 Retailers, General(45)	2082.46	.....	2062.23	2068.18	2083.71	1804.25	3.17	2.09	18.86	68.64	1201.92
47 Breweries, Pubs & Rest.(21)	3091.64	−0.3	3101.26	3108.67	3157.55	2673.17	3.37	2.00	18.59	68.29	1499.13
48 Support Services(50)	2593.89	+0.3	2586.58	2595.90	2598.52	1835.25	1.90	2.23	29.44	48.36	1666.01
49 Transport(23)	2555.55	+0.2	2551.43	2535.58	2544.61	2173.74	3.75	1.18	28.22	82.36	1085.89
60 UTILITIES(33)	2359.48	−0.3	2367.35	2363.10	2370.67	2495.98	5.50	1.75	13.01	168.66	1055.42
62 Electricity(12)	2515.52	−0.1	2518.89	2511.16	2516.03	2873.50	6.55	2.21	8.62	429.17	1362.14
64 Gas Distribution(2)	1307.75	+0.7	1298.15	1282.15	1282.15	1582.09	9.16	0.83	16.37	119.71	715.56
66 Telecommunications(8)	1999.67	−0.6	2011.61	2017.39	2036.80	2046.34	4.03	1.51	20.54	50.32	928.90
68 Water(11)	2211.86	−0.5	2223.26	2202.97	2168.57	2070.50	6.32	2.29	8.63	103.82	1256.03
69 NON-FINANCIALS(667)	2020.10	+0.1	2017.27	2012.42	2026.45	1838.83	3.87	1.82	17.72	79.81	1567.26
70 FINANCIALS(103)	3248.85	−0.2	3255.54	3256.00	3291.07	2747.85	4.09	2.36	12.96	124.39	1430.79
71 Banks, Retail(8)	4885.43	−0.4	4896.50	4680.85	4740.69	3872.55	3.89	2.71	11.85	175.98	1559.67
72 Banks, Merchant(6)	3696.72	−0.1	3699.87	3702.85	3716.57	3507.30	2.82	2.81	15.80	95.60	1190.00
73 Insurance(21)	1531.80	.....	1531.86	1541.46	1562.41	1356.37	5.49	2.26	10.06	79.70	1185.89
74 Life Assurance(7)	3716.81	+0.3	3705.94	3711.72	3747.89	3243.56	4.18	1.78	16.75	151.01	1580.26
77 Other Financial(20)	2695.55	−0.1	2698.71	2701.74	2703.82	2381.71	4.06	1.79	17.21	88.27	1563.21
79 Property(41)	1655.24	+0.5	1647.72	1646.00	1651.89	1367.41	3.88	1.27	25.48	49.57	1036.71
80 INVESTMENT TRUSTS(126)	3129.51	.....	3129.89	3123.40	3132.01	2904.86	2.27	1.12	49.29	62.38	1104.59
89 FTSE All-Share(896)	1930.89	+0.1	1929.51	1925.79	1940.28	1736.92	3.85	1.91	16.95	74.59	1668.36
FTSE Fledgling	1215.67	.....	1215.76	1217.98	1221.53	1087.17	2.84	0.84	58.34	31.46	1288.88
FTSE Fledgling ex IT	1228.59	.....	1228.36	1231.43	1235.14	1089.67	3.03	0.56	73.32	34.36	1304.43

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	3907.5	3904.9	3898.6	3905.9	3904.4	3904.4	3903.5	3903.1	3913.3	3914.7	3896.5
FTSE 250	4399.2	4398.6	4396.1	4396.5	4396.0	4395.6	4395.0	4394.6	4395.8	4398.7	4394.5
FTSE 350	1952.4	1951.4	1948.7	1951.6	1951.0	1950.9	1950.5	1950.3	1954.4	1955.0	1947.9

Time of FTSE 100 Day's high: 4:23 PM Day's low: 9:49 AM. FTSE 100 1996 High: 4073.1 (21/10/96) Low: 3632.3 (16/07/96).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1167.4	1168.3	1168.3	1168.3	1167.1	1167.1	1167.1	1167.1	1164.2	1164.2	1167.9	−3.7
Pharmaceuticls	5594.8	5585.0	5572.9	5591.0	5584.0	5584.6	5584.2	5586.7	5614.2	5618.0	5603.6	+14.4
Water	2214.1	2213.6	2210.4	2211.0	2203.4	2205.1	2204.4	2202.2	2199.9	2198.3	2210.0	−11.7
Banks, Retail	4736.2	4734.3	4715.5	4723.6	4718.4	4719.6	4712.3	4713.0	4724.5	4725.0	4746.3	−21.3

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Kleinwort Euro Privatisation (80) & (FTSE 250); Nurdin & Peacock (44) & (FTSE SmallCap); TDS Circuits (FTSE Fledgling). INSERT: TBI (FTSE 250)

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol 000s	Closing price	Day's change
3i†	474	478½	-1½
ASDA Group†	6,400	117½	
Abbey National†	1,000	646	-3
Albert Fisher	4,300	42½	+½
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded down.

WORLD STOCK MARKETS

Highs & Lows shown on a 52 week basis

EUROPE

AUSTRIA (Nov 11 / Sch)

BELGIUM/LUXEMBOURG (Nov 8 / Frs.)

CZECH REP (Nov 11 / Koruna)

DENMARK (Nov 11 / Kr)

FINLAND (Nov 11 / Mkt)

FRANCE (Nov 8 / Frs.)

GERMANY (Nov 11 / Dm.)

GREECE (Nov 7 / Drachma)

ITALY (Nov 11 / Lire)

NETHERLANDS (Nov 11 / Fls.)

NORWAY (Nov 11 / Kroner)

POLAND (Nov 8 / Zloty)

PORTUGAL (Nov 11 / Escudo)

SPAIN (Nov 11 / Pts.)

SWEDEN (Nov 11 / Kronor)

SWITZERLAND (Nov 11 / Frs.)

TURKEY (Nov 11 / Tk Lira)

PACIFIC

JAPAN (Nov 11 / Yen)

HONG KONG (Nov 11 / H.K.$)

INDONESIA (Nov 11 / Rupiah)

MALAYSIA (Nov 8 / MYR)

NEW ZEALAND (Nov 11 / NZ $)

SINGAPORE (Nov 8 / S$)

AUSTRALIA (Nov 11 / Aus$)

SOUTH KOREA (Nov 11 / Won)

TAIWAN (Nov 11 / TW $)

THAILAND (Nov 11 / Baht)

Prices supplied by Telekurs

AFRICA

SOUTH AFRICA (Nov 11 / Rand)

NORTH AMERICA

CANADA

MONTREAL (Nov 11 / Can $) 4 pm close

TORONTO (Nov 11 / Can $) 4 pm close

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

♣ FT Free Annual Reports Service
You can obtain the current annual reports of any companies on this page with a ♣ symbol. For North American companies you can either ring +1 804 320 8097, or fax your request to +1 804 320 8156 or order online at http://www.icbinc.com/cgi-bin/ financialtimes. For companies from ALL other countries ring 0181 770 0770 or fax your request to 0181 770 3822 (outside UK ring +44 181 770 0770 or fax your request to +44 181 770 3822).

INDICES

	Nov 11	Nov 8	Nov 7	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	19901.46	18988.10	19981.95	20/5	18287.25	22/8
Australia							
All Ordinaries(1/1/80)	2358.1	2362.1	2348.7	2377.89	24/10	2065.10	17/7
All Mining(1/1/80)	928.5	927.7	928.5	1118.40	8/5	923.10	29/8
Austria							
Credit Aktien(30/12/84)	364.89	364.49	365.09	384.89	31/5	349.19	6/8
Traded Index(2/1/91)	1073.09	1070.20	1068.71	1142.81	29/5	975.27	2/1
Belgium							
BEL20(1/1/91)	(c)	1823.89	1821.95	1829.85	3/10	1574.90	2/1
Brazil							
Bovespa(29/12/83)	(u)	65596.0	66667.0	67999.00	21/10	43991.59	2/1
Canada							
Metals Minls♦(1975)	(u)	5133.86	5122.86	5824.88	9/5	4687.47	16/1
Composite♦(1975)	(u)	5758.75	5739.23	5758.75	8/11	4739.70	15/1
Portfolio§§(4/1/83)	(u)	2894.57	2874.15	2880.45	6/11	2327.39	12/1
Chile							
IGPA Gen♥(31/12/80)	(u)	5294.78	5323.88	5894.33	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	446.49	447.13	446.64	454.39	21/10	366.40	2/1
Finland							
HEX General(28/12/90)	2259.01	2244.83	2224.47	2265.49	22/10	1661.67	10/1
France							
SBF 250(31/12/90)	(c)	1485.45	1485.87	1486.87	7/11	1250.16	2/1
CAC 40(31/12/87)	(c)	2205.20	2211.81	2213.37	5/11	1887.85	11/1
Germany							
FAZ Aktien(31/12/58)	952.52	953.86	946.60	953.86	8/11	818.56	2/1
Commerzbank(1/12/53)	2777.3	2781.4	2758.0	2782.89	18/10	2370.10	2/1
DAX‡(30/12/87)	2728.32	2739.83	2713.22	2739.83	8/11	2284.86	2/1
Greece							
Athens SE(31/12/80)	(c)	918.12	918.13	1017.86	4/5	872.89	7/8
Hong Kong							
Hang Seng(31/7/64)	12771.86	12751.16	12735.28	12775.47	6/11	10204.87	2/1
India							
BSE Sens.(1979)	(c)	(c)	3086.86	4069.26	18/6	2828.68	25/1
Indonesia							
Jakarta Comp.(10/8/82)	601.13	602.02	594.59	639.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2877.75	2881.74	2859.77	2708.84	4/10	2234.81	2/1
Italy							
Banca Comm Ital(1972)	522.57	528.28	527.00	574.10	20/5	572.21	27/3
MIB General(2/1/95)	1056.0	1065.0	1063.0	1142.89	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	21065.08	21201.04	20771.11	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	295.08	295.94	293.03	319.70	26/6	284.48	11/3
Topix(4/1/68)	1572.83	1576.65	1561.99	1722.13	26/6	1524.12	13/3
2nd Section(4/1/68)	2034.85	2030.83	2024.52	2261.48	2/7	1982.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	(c)	1179.60	1177.93	1189.84	30/4	993.18	2/1
Mexico							
IPC(Nov 1978)	(u)	3347.56	3293.23	3433.35	27/8	2736.38	8/3
Netherland							
CBS TtlRtnGen(End 83)	689.4	683.7	678.1	689.00	22/10	539.89	2/1
CBS All Shr(End 83)	404.9	401.6	398.3	408.89	22/10	328.76	2/1
New Zealand							
Cap. 40(1/7/86)	2330.05	2334.89	2338.89	2367.78	21/10	2025.14	7/6
Norway							
Oslo SE(Ind)(2/1/83)	1500.41	1485.33	1473.61	1500.41	11/11	1259.69	30/1
Philippines							
Manila Comp(2/1/85)	3048.97	3090.00	3083.06	3374.49	5/7	2576.97	2/1
Portugal							
BVL 30(4/1/93)	2040.76	2039.20	2040.05	2040.76	11/11	1682.81	2/1
Singapore							
SES All-S'pore(2/4/75)	(c)	522.03	517.08	610.37	5/2	503.76	21/10
South Africa							
JSE Gold(28/9/78)	1678.8♥	1681.1	1693.0	2030.40	29/5	1346.40	2/1
JSE Ind.(28/9/78)	7891.9♥	7992.0	8014.4	8739.30	25/1	7635.60	30/8
South Korea							
KoreaCmpEx**(4/1/80)	729.53	739.11	741.76	986.84	7/5	729.53	11/11
Spain							
Madrid SE(30/12/85)	384.24	384.76	385.14	385.14	7/11	323.76	11/1
Sweden							
AffarsvarldsGen(1/2/37)	2164.8	2165.9	2170.3	2199.89	21/10	1708.80	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1818.15	1812.06	1811.92	1818.15	11/11	1516.19	17/1
SBC General(1/4/87)	1287.49	1283.88	1280.05	1287.49	11/11	1114.47	26/1
Taiwan							
WeightedPr.**(30/6/66)	6571.12	6581.96	6629.68	6683.64	6/11	4690.22	5/2
Thailand							
Bangkok SET(30/4/75)	947.28	957.60	952.48	1415.84	6/2	905.34	15/10
Turkey							
Istanbul Cmp.(Jan 1986)	84692.2	83928.6	83505.3	84692.20	11/11	38779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	816.3*	814.9	810.5	816.30	11/11	725.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1786.58	1787.53	1776.72	1789.46	21/10	1504.40	11/1
Euro Top-100(26/6/90)	1501.61	1504.19	1500.45	1505.85	18/10	1333.01	11/1
HSBC JC Emgs(31/12/88)	(u)	398.24	387.45	398.24	8/11	344.19	2/1
ING Emgs Enrg(7/1/92)	(u)	158.16	158.01	165.91	4/7	147.35	2/1

US INDICES

Dow Jones	Nov 8	Nov 7	Nov 6	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6219.82	6206.04	6177.71	6219.82 (8/11)	5032.94 (10/1)	6219.82 (8/11/96)	41.22 (8/7/32)
Home Bonds	103.82	103.43	103.38	106.99 (14/2)	100.98 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2183.69	2179.40	2161.90	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	13.23 (8/7/32)
Utilities	234.77	235.68	234.07	235.68 (7/11)	204.86 (30/7)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 6247.40 (6238.83) Low 6151.62 (6130.38) (Theoretical♦)
Day's high 6222.06 (6222.81) Low 6161.07 (6149.761) (Actual♦)

Standard and Poors	Nov 8	Nov 7	Nov 6	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	730.82	727.65	724.59	730.82 (8/11)	598.48 (10/1)	730.82 (8/11/96)	4.40 (1/6/32)
Industrials♥	858.10	853.71	849.74	858.10 (8/11)	702.07 (15/1)	858.10 (8/11/96)	3.52 (30/6/32)
Financial	80.09	79.88	79.72	80.09 (8/11)	58.67 (10/1)	80.09 (8/11/96)	7.13 (4/9/74)
NYSE Comp.	386.32	384.91	383.55	386.32 (8/11)	321.41 (10/1)	386.32 (8/11/96)	4.64 (25/4/42)
Amex Mkt Val	580.39	579.25	577.87	614.88 (22/5)	525.60 (16/7)	614.88 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1257.51	1254.14	1245.49	1268.16 (15/10)	988.57 (15/1)	1268.16 (15/10/96)	54.87 (3/10/74)

■ RATIOS

	Nov 1	Oct 25	Oct 18	Year ago
Dow Jones Ind. Div. Yield	2.15	2.15	2.12	2.41
	Nov 6	Oct 30	Oct 23	Year ago
S & P Ind. Div. yield	1.89	1.95	1.92	2.04
S & P Ind. P/E ratio	23.58	22.80	23.15	18.23

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Pepsico	5,476,400	31½	+1¼
AT & T	4,894,800	35¼	+⅛
Iomega	4,397,800	24⅛	-⅞
Amer Online	3,473,000	28	+1¼
Westinghse	3,052,500	19¾	+1
Dime Bancp	2,823,900	15⅞	+¾
Merck	2,743,400	80⅝	+1⅝
Lowes Co's	2,358,200	40¼	+¾
Conrail	2,317,800	95¼	+3¼
Lucent Tech	2,245,500	48⅝	-⅜

■ TRADING ACTIVITY

● Volume (million)

	Nov 8	Nov 7	Nov 6
New York SE	405.047	504.515	511.582
Amex	21.742	23.873	20.651
NASDAQ	554.307	689.342	640.036
NYSE			
Issues Traded	3,277	3,277	3,282
Rises	1,302	1,400	1,715
Falls	1,080	1,058	757
Unchanged	895	819	810
New Highs	217	242	289
New Lows	36	40	43

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Nov	2209.0	2209.0	-4	2229.0	2205.0	593	20,757
Dec	2213.0	2214.0	-4	2232.0	2209.0	81	20,252
■ DAX							
Dec	2742.0	2740.0	-3.5	2750.0	2738.0	10,689	-
Mar	2765.5	2758.5	-6.5	2768.0	2756.5	1,059	-
■ OMX							
Nov	1689.00	1684.00	-1.00	1692.00	1678.25	2,756	28,685
Dec	1694.00	1690.25	-3.75	1695.90	1687.00	400	3,566
■ SOFFEX							
Nov	3815.0	3836.0	+21.0	3834.5	3815.0	6,696	21,455
Dec	3823.0	3834.5	+17.5	3838.0	3823.0	3,456	1,900
■ S&P 500							
Dec	734.25	734.70	+0.45	734.70	732.85	57,583	188,584
Mar	740.50	741.00	+0.25	741.00	739.70	733	7,972
■ Nikkei 225							
Dec	21190.0	21100.0	-100.0	21300.0	21060.0	17,434	214,441
Mar	21220.0	21140.0	-80.0	21330.0	21130.0	230	15,953

Open interest figures for previous day.

= Sat Nov 9. Taiwan Weighted Price 6583.08; Korea Comp Ex 730.82. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 11 - 2730.44 -1.85. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, November 11, 1996

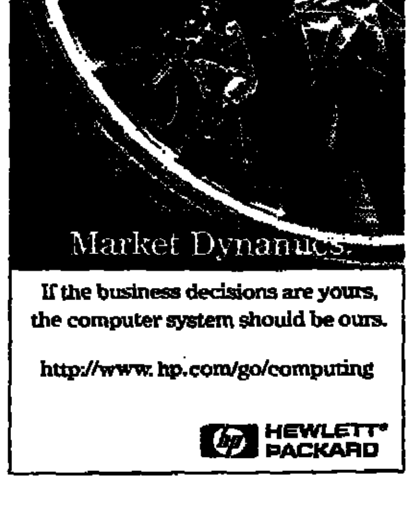
	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Green Cross Corp	7.7m	529	+12	Mitsubishi Hvy	3.4m	897	+1
Sumitomo Seika	4.5m	888	-6	Kawasaki Steel	3.4m	350	
TYK Corp	3.6m	1360	+70	Nippon Lace	2.8m	860	+83
NEC Corp	3.6m	1300	+10	Nippon Steel Cp	2.7m	337	-1
Clarion	3.5m	625	-3	Mitsubishi Elect	2.6m	665	+8

4 pm close November 11

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
31¼	17¾	AAR	0.48	1.8	26	173	29⅜	29	29⅞	-⅛
46⅛	33	AMP x	1.00	3.0	15	7290	34½	33⅝	33⅞	-⅛
87½	68	AMR			17	4133	86¼	85	86	+¾
50½	37⅛	ASA	1.40	3.5	26	719	40¼	39¾	40⅛	+½
53½	38⅛	AbbtL	0.96	1.8	22	4586	u53½	53	53¼	-⅛
17¼	12¼	Abitibi Pr	0.40	2.8	7	178	14⅝	14⅜	14½	
20¼	13½	ABM Ind	0.35	2.0	17	30	17¼	17⅛	17⅛	+⅛
21⅞	13⅞	Acptncein			45	188	u21⅞	21¾	21¾	+⅛
58½	37¼	ACE Ltd	0.58	1.0	14	960	58¼	57⅞	58	-⅜
10⅝	9⅛	ACM Gvt In x	0.90	8.7	9	238	u10⅜	10¼	10⅜	
7⅞	6⅝	ACM GvOpp x	0.57	8.0		113	7¼	7⅛	7⅛	-⅛
9¾	8⅜	ACM Man x	0.80	9.4		247	9⅝	8½	8⅝	
13⅞	6⅛	Acme Elect	0.32	4.4	55	43	7¼	7¼	7¼	
18⅞	13⅞	Acme Mills			13	12	18⅜	18¼	18¼	-¼
33¾	27¾	Acordia	0.72	2.4	14	50	29½	29⅜	29½	+⅜
23⅞	12	Acuson			113	3808	u23⅞	23	23⅞	+¾
20¾	17⅞	Adams Expr	0.48	2.3	1	443	u20¾	20⅜	20¾	+¼
21¼	10¼	AdvMic			21	4912	20⅝	20	20⅝	+¼
11⅛	8½	Advest Grp	0.16	1.6	7	109	9⅞	9¼	9⅞	+½
26⅛	9⅛	Advo Inc	0.10	0.7	106	40	14¼	14	14⅛	
54⅜	41⅛	Aegon	1.45	2.7	16	46	u54⅜	53¾	54⅜	+⅞
6¾	3½	Aerflx			3	129	4⅝	4½	4½	-⅛
70⅞	57⅞	Aetna	0.80	1.2	9	6507	69⅛	68½	68½	
44	28¼	Aflac	0.40	0.9	18	577	43	42¼	43	+¼
22	17⅛	AGL Res			18	500	21¾	21¼	21⅝	+⅛

1996 High	Low	Stock	Div	Yld. %
33¾	24	Bearings	0.84	2.3
41⅛	32	Beckman In	0.52	1.4
45½	35½	BectnD	0.48	1.1
15⅞	12⅞	BehrdProp	0.48	3.1
74⅞	59⅛	BellAtl	2.88	4.7
22¼	15	Bell In	0.40	2.2
45¾	36¼	BellSth	1.44	3.5
41¾	31	Belo A	0.44	1.2
37⅛	25⅝	Bemis	0.72	2.0
67	59	Benef 4.3P	4.30	6.7
62¼	43⅝	Benef	2.08	3.4
27¾	20¾	Benetton A	0.37	1.5
⅞	13/32	Benguet B	0.04	8.5
33	24⅛	BergBr	0.48	1.7
38000	29800	BerkHA		
1220	990	BerkHB		
12¾	8¾	Berry Petr	0.40	3.1
26¼	12	Best Buy		
28⅛	24½	Beth St 2. x	2.50	9.5
54¾	48⅜	Bethlhm Pf x	5.00	9.7
15⅞	7⅞	BethSt	0.40	4.8
58¼	40⅛	Btzbrn	1.80	2.8
12⅝	9¼	BevEnt		
18	14½	Blkmgn S	0.40	2.8
44⅛	30¾	BlDeck	0.48	1.3



Continued on next page

NYSE PRICES

4 pm close November 11

Continued from previous page

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. sh-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

♣ FT Free Annual Reports Service

You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring (International Access) 1-804-320-8097 or give the names of the companies whose reports you want and fax your request to (International Access) 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/financialtimes.

AMEX PRICES

4 pm close November 11

NASDAQ NATIONAL MARKET

4 pm close November 11

Dow heads for another record high

AMERICAS

US investors took a pause for breath after last week's strong rally, leaving share prices flat to modestly higher in quiet trading, *writes Lisa Bransten in New York.*

Activity was quiet yesterday as the bond market remained closed in observance of Veterans' Day.

At 1 pm, Dow Jones Industrial Average was 31.31 stronger at 6,251.13, on course to pass the record it set on Friday. Meanwhile, the Standard & Poor's 500 edged up 0.75 at 720.65 passing the peak it set on Friday. The American Stock Exchange composite slipped 2.24 at 578.15. Volume on the NYSE was light at 192m shares.

Blue chip companies in the Dow got a boost from the continued demand for shares in name-brand multinational companies.

Rising shares in the Dow included Minnesota Mining & Manufacturing, $1¼ stronger at $81¼, Philip Morris, up $1⅛ at $99, and Sears, which added $1⅜ at $50⅝.

Technology shares were mostly flat. The Nasdaq composite, which is weighted toward that sector, was 0.95 stronger at 1,258.46, while the Pacific Stock Exchange technology index advanced 0.3 per cent.

Elsewhere, merger activity moved some shares.

Both Ivax, a generic drugs company, and Bergen Brunswig, a drug distributor, fell after announcing that they had agreed to merge.

Ivax, which also reported a wider than expected loss yesterday, lost $3, or 19 per cent, at $12⅞, while Bergen shed $4⅝, or 13 per cent, at $29⅝. The stock deal is valued at about $1.4bn, well below the market value of Ivax of about $1.9bn at the close on Friday.

PHH, a real estate and car financing company, jumped $17⅛, or 56 per cent, to $48 on news that it had agreed to be acquired by HFS, a car rental and hotel company. Shares in HFS added $⅛ at $74⅛.

The deal is valued at about $1.7bn in stock.

Tyson Foods, the poultry producer, added $2⅝, or 9 per cent, at $31 after reporting fourth-quarter earnings of 10 cents a share, a cent ahead of analysts' estimates.

TORONTO built on Friday's fresh peaks during a morning session of low volumes. At noon, the TSE-300 composite index was up 12.44 at 5,771.19 as energy stocks continued to underpin the gains.

Inco added 20 cents to C$42.20 and Alcan put on 15 cents to C$44.60, but the broad trend among industrial and financial sectors was one of clear weakness.

Northern Telecom came off 30 cents to C$87.10. Royal Bank of Canada fell 45 cents to C$46.85 and Toronto-Dominion Bank shed 30 cents to C$34.30. Canadian Pacific lost 30 cents to C$35.35.

Caracas moves up 2%

CARACAS moved steadily higher during the morning session as the book-building for the flotation of CANTV, the state telecoms group, entered its last full week.

"There are signs that bargain hunters have begun to re-enter the market," said one dealer. At midsession, the IBC index was showing an advance of 2 per cent, up 116.54 at 5,955.27.

BUENOS AIRES showed little change during early trading in spite of a good initial showing on Wall Street and across Latin American markets. The Merval index was a modest 0.51 firmer at 579.87 at noon.

MEXICO CITY made a solid start to the morning session. Early local election results went against the ruling party, but traders said the atmosphere remained calm. At midsession, the IPC index was up 26.00 at 3,373.66.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1996	% change sterling † Start of 1996	% change in US $ † Start of 1996
Austria	-0.31	+0.36	+13.00	+10.04	-1.26	+4.58
Belgium	+1.80	+1.12	+22.55	+12.77	+0.89	+6.88
Denmark	-0.06	+1.56	+26.30	+21.24	+9.45	+15.96
Finland	+2.96	+2.81	+6.72	+24.21	+11.91	+18.55
France	+3.33	+2.86	+21.06	+21.06	+9.71	+16.23
Germany	+2.09	+1.81	+24.70	+19.28	+7.01	+13.37
Ireland	+2.15	+0.11	+25.38	+21.39	+17.97	+24.97
Italy	+1.96	+4.17	+4.17	+2.28	+0.98	+6.97
Netherlands	+0.01	+1.16	+32.03	+21.08	+8.46	+14.90
Norway	+0.52	+0.98	+23.39	+17.84	+11.06	+17.66
Spain	-4.29	+2.87	+34.27	+22.05	+10.25	+16.80
Sweden	-0.65	+0.53	+26.88	+25.58	+19.06	+26.15
Switzerland	-0.07	+1.70	+21.55	+14.63	-1.87	+3.95
UK	-2.62	-0.99	+10.54	+6.17	+6.17	+12.47
EUROPE	-0.02	-0.87	+18.22	+13.56	+6.40	+12.81
Australia	+1.04	+0.59	+10.28	+5.57	+5.56	+11.83
Hong Kong	+2.82	+1.83	+29.66	+22.55	+15.67	+22.54
Japan	+0.41	+1.32	+10.53	-0.19	-12.88	-7.71
Malaysia	+2.75	+0.47	+31.05	+18.96	+13.22	+19.94
New Zealand	-3.79	+0.63	+5.81	+6.88	+9.28	+15.77
Singapore	+3.73	+3.28	+5.10	-4.25	-8.71	-3.29
Canada	+6.19	+3.44	+28.93	+24.69	+20.61	+27.78
USA	+3.91	+3.61	+22.38	+18.04	+11.42	+18.04
Mexico	-0.67	+2.93	+46.90	+19.50	+9.88	+16.41
South Africa	-4.88	-3.28	+12.18	+8.41	-20.77	-16.07
WORLD INDEX	+2.01	+2.22	+18.82	+12.47	+3.97	+10.14

† Based on November 1st 1996. © Copyright, FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. 1996. All rights reserved.

Financials support advance in Amsterdam

EUROPE

A number of strong individual stock performances pushed **AMSTERDAM** comfortably ahead on a day of generally quiet trading for leading European bourses.

Dutch bonds moved sideways and the action in the futures pits was equally dull. But cash equities were in upbeat mood and at the close the AEX index was 0.7 per cent higher. It finished at 597.10, up 4.29.

There was clear demand for selected financial stocks, while among industrials both KLM and Hoogovens surged by more than 2 per cent.

Talk of airline link-ups resurfaced at KLM and the shares jumped Fl 1 to Fl 42.20. Hoogovens added Fl 1.70 to Fl 63.50 after rival steel group Preussag of Germany announced price rises and confirmed that customer destocking in Europe had come to an end.

Ahead of Friday's interim results, Aegon gained 70 cents to Fl 90.60 as optimistic broker forecasts ran around the market and improved sentiment washed across the financial sectors generally. Fortis Amev gained 40 cents to Fl 54.00 and ING added Fl 1 to Fl 57.20.

Royal Dutch had a strong day, advancing Fl 4.50 to Fl 277.80, but foods and drinks group Bolswessanen, boosted on Friday by takeover talk, fell 40 cents to Fl 31.90.

MILAN was enlivened by news of the planned merger of Stet and Telecom Italia and by Olivetti's plans to sell a stake in Omnitel, but the broad market was weak and the Comit index gave up 5.91 to 622.57.

Stet jumped L330 to L5,674 on the view that it would lose its "holding company" tag which had weighed on the stock. In New York, the ADRs rose $2⅝ to $37⅝. Telecom Italia, however, slid L283 to L3,321, which, some analysts said, was unjustified because the operation was neutral for the company.

Analysts noted that the merger appeared to be aimed at maximising the proceeds of the Stet privatisation, which was postponed until autumn 1997.

Olivetti, the troubled information technology group, rose 5.8 per cent on news of its plan to sell part of its stake in the Omnitel mobile phone consortium to Germany's Mannesmann. The shares picked up L26.1 to L478.7 as investors also digested a report that Mr Carlo de Benedetti was looking for a single buyer for his 48.1 per cent stake in Spain's Cofir.

ZURICH derived strength from a firming tone in bonds and early strength on Wall Street and the SMI index rose 15.6 to 3,827.6, overcoming resistance at 3,825.

Against the trend, Swiss Re slid SFr5 to SFr1,383 in the wake of the profit warnings from its German competitor Muenchener Rueck. Analysts also reported switching out of Swiss Re into Zurich Insurance, which rose SFr5 to SFr354.

ABB added SFr11 to SFr1,598 on news that it had taken over GEC Meters from Britain's General Electric.

Fischer, the second-tier industrial group, rose SFr39 to SFr1,300 as new, positive recommendations prompted aggressive buying of the stock.

FRANKFURT drifted lower in dull turnover with most investors content to sit on the sidelines in what is seen as a busy and unpredictable week for US economic data.

Chemical shares had a poor day with Bayer off more than 1 per cent and Schering shedding 15 pfg to DM124.10 in spite of strong nine-month earnings. But Henkel, which puts out results today, jumped DM1.40 to DM71.80.

Dresdner Bank gained 49 pfg to DM43.38 following favourable press reaction to the planned fund management changes and Preussag was also among the day's best movers adding DM5.05 to DM375 after a round of steel price rises.

Munich Re eased DM65.00 to DM3,730 after a press conference on trading progress that dealers described as par for the course. Strong results from Fresenius Medical Care hit a new high of DM143.80, up DM7.70.

Deutsche Telekom edged lower in the grey market, dipping 25 pfg to DM33.25 after the telecoms giant increased the size of its flotation yesterday. Dealings start next Monday.

At the close, the DAX index stood at an Ibis-indicated 2,730.44, down 1.85.

HELSINKI was boosted by strong gains in Nokia on expectations of a good nine-month earnings report from the telecommunications group on Thursday. The Hex index rose 14.18 to 2,259.01 as Nokia A rose FM5.40 to close at a year's high of FM239.90 after a day's peak of FM232.20. The median of analysts' forecasts was for a nine-month profit of FM2.2bn.

Kesko slid a further FM1 to FM64, its lowest level since June, following news last week that the EU was not satisfied with the company's proposal to sell Tuko Spar in an effort to win approval for its merger with Tuko.

VIENNA saw a Sch23 rise in EVN, the regional utility, to Sch1,547 on expectations that the company would report record full-year earnings today. The ATX index edged 2.89 higher to 1,073.09.

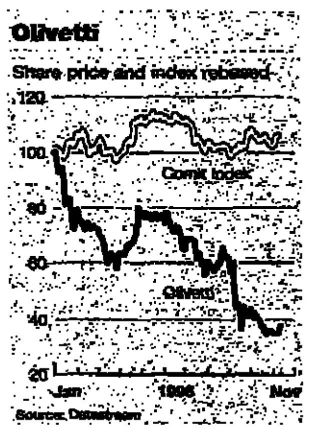
Wolford, the luxury hosiery and lingerie maker, rebounded Sch94, or 7.4 per cent, to Sch1,364 after last week's weakness caused by lower than expected first-half sales.

ISTANBUL closed at a record high as third-quarter profit expectations supported some shares. The IMKB-100 index rose 863.53 to close at 84,6921.20 after profit-taking pulled the index back from the day's high of 85,481.

Written and edited by Michael Morgan and Jeffrey Brown

Olivetti

Share price and index rebased



Source: Datastream

Paris and Brussels were closed for Armistice Day

FTSE Actuaries Share Indices

Nov 11 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1788.90	1783.80	1785.88	1785.65	1788.46	1786.83	1787.81	1786.58
FTSE Eurotrack 200	1830.36	1829.62	1829.70	1828.82	1828.49	1826.41	1825.82	1828.07

	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4
FTSE Eurotrack 100	1787.53	1776.72	1775.56	1758.99	1747.59
FTSE Eurotrack 200	1833.14	1824.37	1828.36	1815.49	1808.44

Base value 1000 (26/10/90). High/day: 100 - 1787.81, 200 - 1831.13 Low/day: 100 - 1783.70 200 - 1825.17 † Partial
© FTSE International Limited 1996. All rights reserved.

Telecom's 6.2% jump drives Hong Kong ahead

ASIA PACIFIC

Speculative demand for Hongkong Telecom lifted **HONG KONG** from early lows and the Hang Seng index finished 20.70 higher at 12,771.86 after recovering from an 80-point tumble at the start of the day. Turnover remained robust at HK$6.4bn, but was substantially off Friday's HK$8.4bn.

Hongkong Telecom rose 80 cents, or 6.2 per cent, to HK$13.70 in turnover of HK$367.2m after a newspaper report that Cable & Wireless of the UK was about to reduce its stake.

Most of the market's other recent leaders underwent some selling, suggesting that the index could pull back today.

The H share sector saw especially heavy selling, while red chips, Chinese companies incorporated in Hong Kong but with operations in China, saw strong buying interest.

China Resources Beijing Land, listed on Friday, eased 17.5 cents to HK$3.875, but was still at a sharp premium to the HK$2.35 offer price.

There was a weak performance in **TOKYO** after the sharp gains posted at the end of last week, although brokers noted that cash trades were fairly thin and that futures-linked activity was largely responsible for fluctuations in the market, *Reuters reports.*

The Nikkei 225 average lost 135.96 to 21,065.08 after fluctuating between a high of 21,262.53 and a low of 21,033.34. The Topix index of all first-section stocks fell 3.82 to 1,572.83 while the capital-weighted Nikkei 300 was 0.86 down to 295.08.

Declining issues beat advances 573 to 447, while 211 issues were unchanged. Volume was a modest 248m shares against 399m on Friday.

In London, the ISE/Nikkei 50 index rose 1.07 to 1,435.81.

Brokers said that healthy interim earnings were not wholly reflected in the market because of the lack of serious trading interest. Toyota Motor's optimistic parent forecast for the business year was overpowered by profit-taking. The shares lost Y30 to Y2,810 in heavy trade while Isuzu Motors also fell, losing Y20 to Y588.

Green Cross rose Y12 to Y539 in response to news that a number of banks planned to provide financial aid to the pharmaceuticals group.

Mitsubishi Oil and Mitsui Mining suffered after last week's raids by prosecutors as part of a tax evasion investigation into an Osaka-based oil dealer. The oil company lost Y19 at Y811 while Mitsui Mining fell Y3 to Y512.

In Osaka, the OSE average eased 4.60 to 21,642.44.

SEOUL edged down as profit-taking overwhelmed bargain hunting – prompted by the view that the market had hit the bottom. The composite stock index closed 1.29 lower at 729.53 after a new intraday low for the year of 720.01.

Shares of LG Semicon were quoted at their lower limit of Won29,000 before trading was halted because of the soaring number of sell orders received.

The exchange said that it had received 26,000 orders to sell 810,000 shares at their lower limit.

SHANGHAI's hard currency B share index finished at a fourth successive all-time low as long-term investors continued to liquidate their positions.

Analysts said foreign investors' confidence had evaporated after a string of disappointing company results and in the face of the failure by the authorities to add new sizeable and well-run companies to the market as had been promised. The index fell 0.809 or 1.8 per cent to 44.803.

BANGKOK finished sharply lower in thin trade as investors took profits ahead of Sunday's general election.

At the close, the SET index was down 2.1 per cent at 947.28, a decline of 20.32. Volume was modest at Bt2.48bn.

One broker forecast a difficult week ahead. "If the Democrats win, you've probably missed the bottom, and if the New Aspiration Party gets in, the market could test previous lows, so everybody is playing a waiting game," he said.

Dealers said that the sluggish trade could partly be attributed to a market holiday in Singapore. Telecom Asia fell Bt4 to Bt56 and National Finance lost Bt 3 to Bt54.50.

SYDNEY eased modestly in quiet trading. The All Ordinaries index closed down 4.0 at 2,358.1.

Dealers said that interim results from the banking sector would help to emerge this week, although positive bank numbers had mostly been factored in. ANZ gained 4 cents to A$7.49.

BHP was off 13 cents at A$16.57 and News Corp dipped 4 cents to A$7.13.

WELLINGTON closed little changed in quiet trading with the 40 capital index closing off 4.84 at 3,330.05. Among forestry shares, Carter Holt Harvey and Fletcher Forest dipped 3 cents to NZ$3.17 and NZ$2.22 respectively, while Fletcher Paper eased 4 cents to NZ$2.54.

KARACHI traded quietly ahead of economic measures expected from the caretaker government. The 100 share index finished off its day's lows at 1,583.96, down 8.78.

Dealers said short-covering had supported the market after its sharp swings in recent sessions following the dismissal of Ms Benazir Bhutto and her government.

MANILA ended an eight day run-up, closing with the main index off 43.03 at 3,046.97 on profit-taking. Ayala Land fell 1 peso to 28 pesos.

COLOMBO was actively traded with foreign buying clearly in evidence. Ceylon Brewery rose almost 7 per cent, adding SLRs2.25 to SLRs35.50. Recent export incentives lifted Blue Diamond Jewellery 75 cents to SLRs13.50 and Dankotuwa Porcelain SLRs1 to SLRs30. The all-shares index closed up 5.53 at 628.64.

● **Bombay, Kuala Lumpur and Singapore were closed.**

S Africa stays on slide

Johannesburg continued to slide as worries about higher interest rates and uncertainty over exchange controls took a firm grip on sentiment. The overall index came off 60.8 to 6,732.7 and industrials slid 99.9 to 7,891.9. By comparison, golds were relatively steady, off 2.3 at 1,678.8.

South African Breweries lost R2 to R116.50 ahead of tomorrow's interim results.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

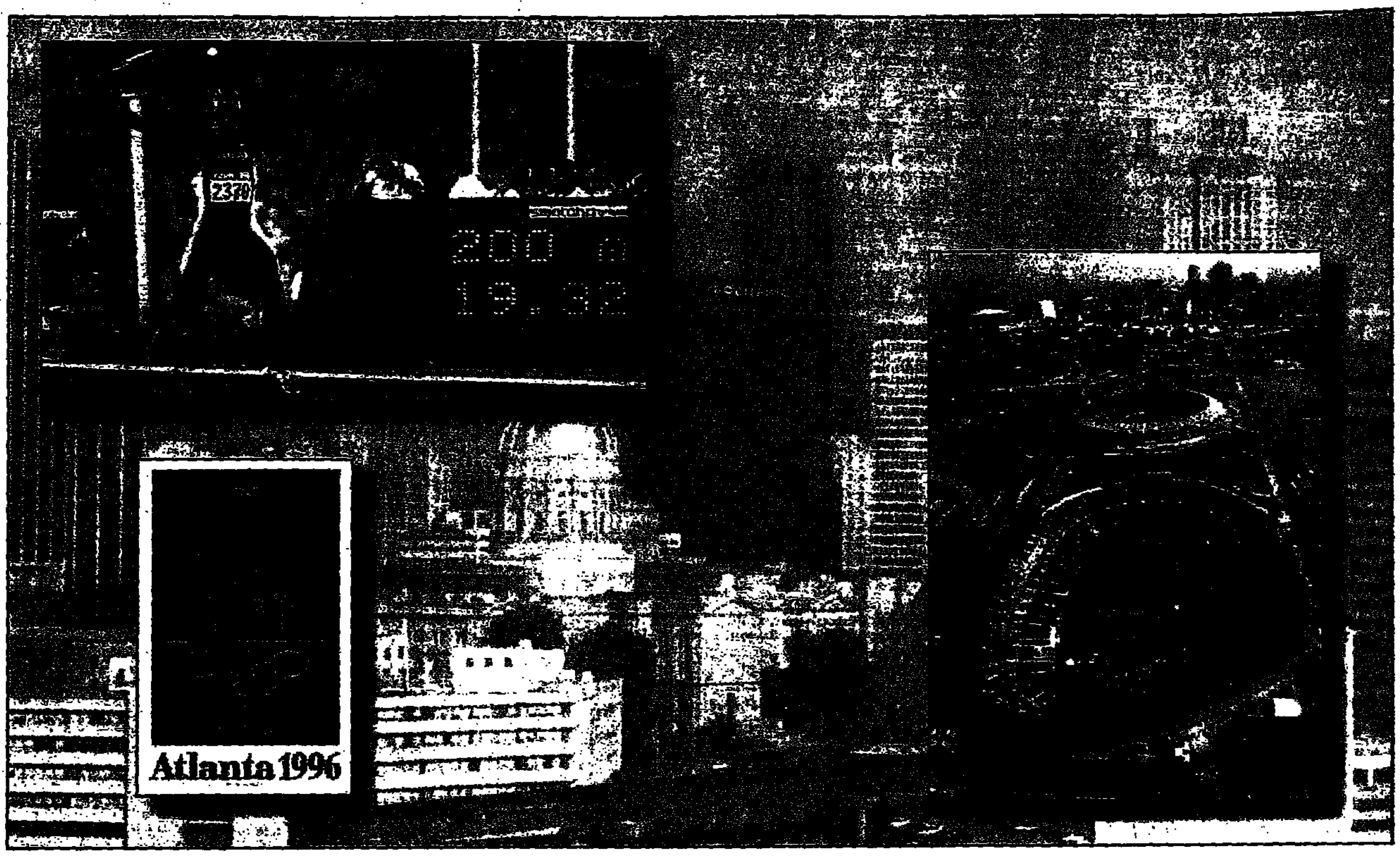
NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY NOVEMBER 8 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY NOVEMBER 7 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	212.51	1.2	191.56	149.85	166.38	179.37	0.7	4.24	209.89	188.98	148.28	164.53	178.18	216.14	179.98	183.39
Austria (24)	182.53	0.4	164.53	128.71	142.90	142.82	0.3	1.97	181.82	163.71	128.45	142.53	142.45	195.04	168.36	171.73
Belgium (27)	223.53	0.3	201.49	157.61	175.00	171.17	0.1	3.90	222.87	200.67	157.45	174.71	170.92	223.53	193.77	194.50
Brazil (28)	180.25	-1.6	162.48	127.10	141.12	341.64	-1.6	1.79	183.18	164.93	129.41	143.59	347.02	189.70	123.97	135.28
Canada (116)	189.80	0.6	171.08	133.83	148.59	182.91	0.6	1.97	188.62	169.83	133.26	147.86	181.86	189.80	143.76	144.36
Denmark (30)	334.85	0.1	301.83	236.11	262.15	263.89	-0.1	1.74	334.61	301.27	236.40	262.30	264.24	336.30	276.89	279.76
Finland (24)	221.77	1.1	199.91	156.38	173.62	211.75	1.0	2.37	219.34	197.49	154.96	171.94	209.62	226.64	171.73	222.18
France (93)	208.52	-0.1	187.96	147.03	163.25	166.61	-0.2	2.92	208.76	187.96	147.48	163.64	166.94	208.76	167.70	179.74
Germany (58)	185.58	1.0	167.28	130.86	145.29	145.29	0.9	1.72	183.69	165.39	129.77	143.99	143.99	185.58	158.00	158.20
Hong Kong (59)	475.09	0.2	428.25	334.99	371.95	471.65	0.2	3.28	474.28	427.03	335.07	371.78	470.82	475.93	354.67	386.38
Indonesia (27)	216.91	1.1	195.53	152.95	169.82	310.58	1.1	1.62	214.57	193.20	151.59	168.20	307.17	-	-	-
Ireland (16)	319.32	0.5	287.84	225.16	249.99	272.86	0.6	3.30	317.61	285.97	224.39	248.97	271.12	319.32	247.16	249.62
Italy (58)	78.84	-1.0	71.07	55.59	61.73	89.32	-1.1	2.32	79.66	71.73	56.28	62.45	90.28	84.53	67.22	72.18
Japan (480)	142.99	1.2	128.90	100.83	111.95	100.83	1.0	0.76	141.32	127.24	99.84	110.78	99.84	164.68	137.62	141.03
Malaysia (107)	581.87	0.1	524.50	410.29	455.54	564.35	0.1	1.17	581.00	523.11	410.46	455.43	563.70	587.74	425.77	441.18
Mexico (27)	1208.86	2.2	1089.68	852.39	946.41	10454.71	1.6	1.25	1182.44	1064.64	835.37	926.90	10288.26	1325.65	791.99	853.66
Netherland (19)	313.36	1.1	282.47	220.96	245.33	241.61	0.9	3.03	310.09	279.19	219.07	243.07	239.36	314.85	252.78	252.78
New Zealand (15)	92.22	0.2	83.13	65.02	72.20	69.01	-0.3	3.98	91.99	82.83	64.99	72.11	69.21	94.35	75.94	80.30
Norway (35)	272.12	1.0	245.29	191.88	213.04	233.72	0.6	2.17	269.43	242.59	190.35	211.20	232.37	272.12	222.24	223.50
Philippines (22)	196.23	1.1	176.89	138.37	153.63	257.00	1.2	0.62	194.02	174.69	137.07	152.09	253.81	-	-	-
Singapore (43)	393.84	1.0	355.01	277.71	308.34	254.15	0.8	1.06	390.04	351.18	275.55	305.74	252.09	465.21	361.94	371.09
South Africa (44)	323.41	-0.2	291.52	228.04	253.19	332.86	0.0	2.31	324.03	291.75	228.92	254.00	332.91	437.76	314.20	373.27
Spain (37)	192.94	0.2	173.92	136.04	151.05	185.31	-0.1	3.23	192.56	173.38	136.04	150.95	185.42	192.94	148.39	149.27
Sweden (46)	393.70	-0.1	354.89	277.61	308.23	384.52	-0.2	2.22	394.13	354.86	278.45	308.95	385.24	400.14	294.19	308.90
Switzerland (37)	245.32	-0.0	221.13	172.98	192.06	192.98	0.0	1.53	245.32	220.88	173.32	192.31	192.93	254.34	219.29	224.35
Thailand (45)	123.54	0.9	111.36	87.11	96.72	122.09	0.9	2.81	122.44	110.24	86.50	95.98	120.94	193.95	112.17	153.20
United Kingdom (213)	259.30	0.1	233.74	182.84	203.01	233.74	0.2	4.04	259.04	233.23	183.01	203.06	233.23	261.17	222.29	225.39
USA (624)	297.21	0.4	267.91	209.57	232.69	297.21	0.4	2.01	296.14	266.63	209.22	232.14	296.14	297.21	241.36	242.34
Americas (795)	272.08	0.4	245.25	191.85	213.01	226.60	0.4	2.00	271.06	244.06	191.50	212.48	227.77	272.08	219.58	220.69
Europe (718)	226.60	0.2	204.26	159.78	177.41	192.97	0.2	2.99	226.08	203.56	159.72	177.22	192.56	226.60	193.02	194.91
Nordic (137)	337.60	0.2	304.31	238.05	264.30	289.05	0.1	2.16	336.95	303.38	238.05	264.13	288.88	339.67	281.13	277.47
Pacific Basin (876)	159.11	1.1	143.42	112.19	124.57	113.76	0.8	1.23	157.46	141.78	111.24	123.43	112.80	177.01	150.59	151.33
Euro-Pacific (1595)	187.11	0.6	168.66	131.93	146.49	143.62	0.5	2.12	185.93	167.41	131.36	145.75	142.86	190.57	168.34	169.40
North America (740)	290.83	0.4	262.16	205.07	227.69	289.70	0.4	2.01	289.74	260.88	204.70	227.12	288.62	290.83	235.37	236.28
Europe Ex. UK (505)	203.92	0.3	183.81	143.79	159.65	168.23	0.2	2.38	203.30	183.05	143.63	159.36	167.88	203.92	173.04	174.33
Pacific Ex. Japan (396)	301.52	0.8	271.79	212.61	236.06	260.42	0.4	2.86	299.81	269.94	211.81	235.02	259.42	301.52	243.59	249.08
World Ex. US (1810)	189.17	0.6	170.52	133.39	148.10	148.90	0.5	2.11	188.02	169.29	132.83	147.38	148.14	191.55	169.39	170.42
World Ex. UK (2221)	219.58	0.5	197.93	154.83	171.91	187.17	0.5	1.85	218.39	196.63	154.29	171.19	186.29	219.58	188.74	189.38
World Ex. Japan (1954)	265.50	0.3	239.32	187.21	207.86	249.29	0.3	2.39	264.62	238.25	186.95	207.43	248.51	265.50	218.66	221.09
The World Index (2434)	223.02	0.5	201.03	157.26	174.60	191.51	0.5	2.08	221.90	199.60	156.77	173.95	190.66	223.02	191.79	192.48

PLEASE NOTE: Amendments to indices 8/11/96 applied to Canada, Mexico, USA, related regional indices and The World Index. Latest prices were unavailable for this edition.

ATLANTA: THE OLYMPIC LEGACY

Innovation earned a dividend

The Centennial Olympics were a mixed blessing in some terms, but as the first Games to be used for economic development they were a clear success. **John Authers** reports



One hundred days after the biggest Olympic Games in history, they seem to be a perfect metaphor for Atlanta itself. The Games were enormous. Bringing them to Atlanta was an amazing achievement: the city's bid seemed to have no chance of winning only a few months before they were awarded by the International Olympic Committee.

They were funded solely with private money, thanks to the ability of Atlanta's business community to work together as a cohesive unit, and to co-operate with enlightened city authorities. They were great for business. And they brought together people of all races in a great testament to tolerance.

But the Games left Atlanta chafed that it had not been given the credit it deserved, and facing criticism for "over-commercialism".

Atlanta underwent a barrage of media criticism in the first week of the Games. Then, in the closing ceremony, Mr Juan Antonio Samaranch, chairman of the International Olympic Committee, pointedly refused to say that Atlanta's had been the greatest Games ever, a courtesy which had been paid to every previous Olympiad.

This hurt the city's leaders, and it shows. But they all still determinedly assert that the Games were a success.

And in some senses, criticism of the sport misses the point. Unlike its predecessors, Atlanta's Olympiad was meant to have purposes beyond sport. Its organisers intended to use it to attract new business, to help economic regeneration, and to act as a catalyst for inner-city regeneration.

It also had an innovative organisation, being managed entirely by a private company, the Atlanta Committee for the Olympic Games (Acog), without using public funds. The IOC has said this model will not be used again.

Mr Andrew Young, the former US ambassador to the United Nations and mayor of Atlanta, who jointly led the city's bid for the Games, said complaints about commercialism were misplaced.

"It's a major contention of the old-line socialists in the Olympic movement. They complain about commercialism. But there were more complaints from the Canadians when the Games left their country $700m in debt."

He adds that in economic terms the Games were an unambiguous success: "We raised almost $2bn and we will end up with a slight profit, leaving almost $1bn in assets in the city and the region which the taxpayer didn't have to pay for. It's very good business." He only admits mistakes over the issue of permits for street vendors. Many were allowed to operate in downtown Atlanta and outside the venues during the Games themselves, and by common consent they made the place look cheap.

According to Mr Young, however, Acog had no power over the issue, with responsibility resting with the city. City officials, in turn, say the problem was caused by individual landowners offering permits to work on their own premises, and not by an excess of permits from the city. This appears to be the one significant example during the Games of the Atlanta business and political communities failing to work in concert.

Overall, all the stakeholders in Atlanta kept closely to the strategy that these should be the first Games to be used for economic development.

They accomplished this on several levels. Georgia Power, a sponsor of the Games, organised Operation Legacy, a programme which targeted specific industrial sectors – corporate headquarters, the agricultural business, telecommunications, business information and the sports industry – and used the Games as a lure to show off the city to chief executives considering relocations.

The target was 6,000 new jobs, to be created by 20 new companies. So far, with two more years to go, 18 companies which took part in the programme have moved to the city, bringing 3,100 jobs with them.

According to Mr Bill Dahlberg, president of Southern Company, the parent of Georgia Power, the idea came from the success the company had had using the US Masters golf tournament, held in nearby Augusta, to get executives to look at Georgia.

He said: "The idea was purely and simply to get decision-makers to come and look at Georgia and the metropolitan area, to show them the co-operation between business and government, and show them this was a place to do business."

This shows that the Games were a valuable weapon to be used against Atlanta's closest rivals for relocations – Charlotte in North Carolina, and Dallas.

But there is controversy over the broader economic impact which the Games generated during the two weeks of sport. While academic surveys originally predicted that the Games would attract $5bn in additional spending, this has now been revised downwards to $4bn.

Mr Jerry Bartels, who leads Atlanta's Chamber of Commerce, the most powerful force both in growing Atlanta and in organising the Olympic bid, suggests this does not much matter:

"It doesn't take a financial genius to figure out that if you can get the businesses of the world and the sports-minded people of the world to invest $1.6bn in an enterprise going on in your city, it doesn't make much difference whether you've attracted $4bn or $5bn. It's still a lot of money."

Mr Tom Cunningham, researcher with the Federal Reserve bank in Atlanta, suggests the city was growing swiftly in any case, and that it is difficult to identify

Continued on Page 2

■ **The sponsors:** by John Authers

Reaping benefits

The key was to find a way to connect with the Games at ground level

Ten 10 "worldwide sponsors" and 10 "Centennial Olympic Games Partners" each paid \$40m for the privilege, while a range of 24 "sponsors" paid with provided services. They were the key to the first privately run Olympics.

Without these sponsorships, the Games could almost certainly not have been funded without resort to taxpayers' funds.

But was it worth it for the sponsors?

Mr Andrew Young, co-chair of the Atlanta Committee for the Olympic Games (Acog), suggests that sponsorship had a radical effect on the companies which supported the Games.

He says: "We created a very good experience for the corporate sponsors. We redefined the way they do business."

They did it in a number of different ways, according to Mr Young: "Most of the companies used the Olympics as a way to build morale within their own institutions; to go global and build market awareness. I haven't heard a single person complain about paying the \$40m sponsorship fee."

He added that the experience of the Los Angeles Olympics in 1984 had helped the Atlanta organisers sell their sponsorships. Fuji's sponsorship of those Games, after Kodak had balked at the asking price, proved crucial in establishing it as a well known-brand in the US. Kodak has sponsored every Games since then.

Mr Jed Pearsall, president of Performance Research, a sports marketing research consultancy, says sponsors' success varied according to their objectives: "Some sponsors really just used the Games as advertising and they are the ones which missed the value of the Games."

He said the key to success was to find a way to connect with the Games at the ground level, making the sponsorship seem an integral part of the experience.

Sponsors who did more than use the Games as a peg for advertising tended to reap greater benefits in terms of name recognition.

These included AT&T, the telecommunications company, which put on free concerts at the Centennial Olympic Park in Atlanta.

Holiday Inn, the hotel chain, acted as hosts for the Olympic torch (sponsored by Coca-Cola) as it passed through the US, in a promotion which avoided competing for attention with advertisers during the Games themselves, and linked the company closely to the Games.

The torch stayed at 80 hotels as it crossed the US. The company believes this generated 650 local news stories, reaching about 164m people.

Locally based companies often gained benefits from the new infrastructure which outweighed their sponsorship fees. For example, Bell South installed 50,000 new access lines for the Games, about half of which have remained in place.

The company also says that its Olympic-related wireline and cellular revenues were several times its \$20m sponsorship fee.

Georgia Power, another sponsor reliant on economic growth for building its business, ran the Operation Legacy project which used the Games to run a programme promoting Atlanta to chief executives.

Others had different motives altogether, with John Hancock, the life insurance company, using the Games as an incentive for its sales force.

Sponsors with less direct involvement in the Games – and reliant on advertising to make the link in public minds – had more difficulty making their sponsorship pay. This was particularly true when companies in competition with each other became joint sponsors.

For example, the motor manufacturers General Motors, Nissan and BMW all sponsored the Games this year.

Mr Pearsall says: "I think Acog was a little too aggressive in cutting category slices thin. There used to be one official automobile sponsor. This year there were three. That diluted the effectiveness for the three companies."

Acog tried to protect exclusivity for its sponsors, by ensuring that the city did not rent space to their competitors during the Games. But a proliferation of different awarding bodies did not help.

For example, Delta was the official airline of the Olympics. But United, its close rival, is a long-term sponsor of the US Olympic Committee, and achieved similar name recognition.

Acog also responded swiftly to any company which attempted to "free-load" on the Olympic image. When the Varsity, a popular Atlanta fast-food restaurant, started offering its customers free badges with an Olympic symbol made up of five onion rings, for example, Acog demanded on the next day that they be withdrawn from sale.

The few remaining in circulation reputedly now command prices of more than \$1,000.

The Olympics' strict ban on advertising on athletes' clothing or inside stadia remained in place – thereby differentiating it sharply from European soccer where players often look billboards – and there was virtually no product placement at the events themselves.

But again, the sponsors who provided services integral to the Games could benefit. When the American athlete Michael Johnson had just smashed the world 200 metres record, he posed in front of an electronic timer. It bore the logo of Swatch, an Olympic sponsor.

Final instalment

Continued from Page 1

a separate "Olympic" effect.

Atlanta is already firmly established as the fastest-growing US city of the decade, with total non-agricultural employment increasing by 562,700 from 1.32m to 1.82m since 1986. During that time it has attracted the headquarters of some prestigious global companies, such as Holiday Inn and UPS.

If anything, the Games were the final instalment in the "selling" of Atlanta to the outside world; a process aggressively followed during Mr Young's mayorship from 1982 to 1990. Now the challenge is to use the momentum they generated to make needed improvements to the city itself.

Mr Cunningham suggests the Games' great achievement was to stimulate investment in infrastructure which could otherwise have been deferred, and then create urgent deadlines which helped prevent any issues falling foul of politics. This most obviously helped with the stadium, now being converted into a long-needed new home for Atlanta's Braves baseball team. The airport, a key to Atlanta's growth which became the busiest in the US during the early months of this year, received an extensive refit which would not have happened so swiftly without the Olympic catalyst.

But infrastructure means something broader than this. The extra facilities gained by Georgia State University and by Georgia Institute of Technology, which was home to the Olympic Village, will now be the basis for the Georgia "research alliance" of six universities, which is intended to rival the "research triangle" which has attracted jobs to North Carolina.

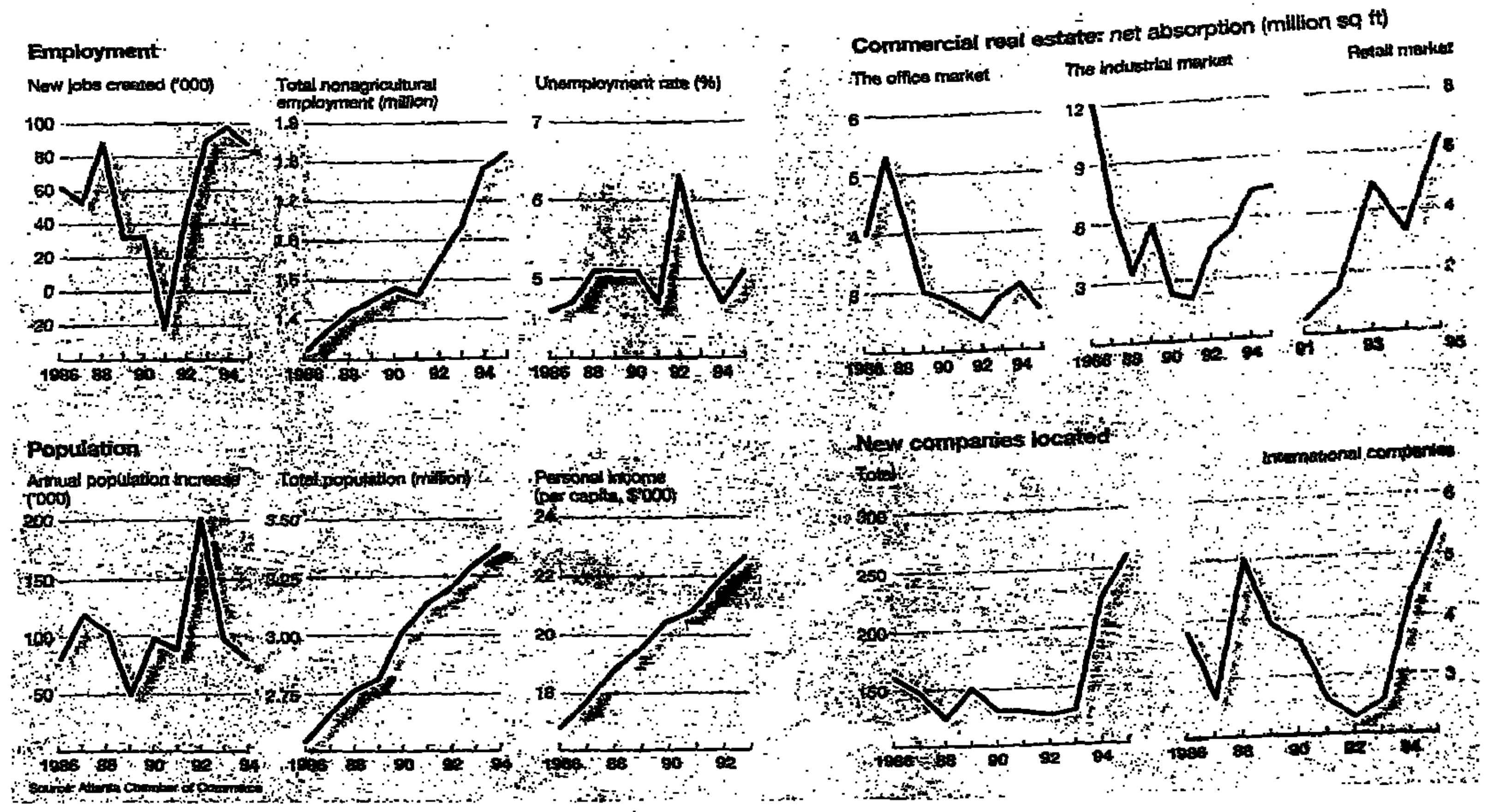
Most importantly, the Games should be used to ensure the revitalisation of the city's downtown area, which is draughty and characterless. The task is harder than it seems because Atlanta has an unusual geography, with six or seven separate business centres spread throughout a tract of the Georgian forest. All of them tend to be self-sufficient, and to generate their own ring of small suburbs, meaning that many workers can survive without ever visiting the downtown area.

New housing has been built in the wake of the Games, near to the former Olympic Village, and old industrial buildings are being converted into "loft" spaces reminiscent of the trendiest areas of New York – only for about a third the price.

Crime is also already being reduced – in part thanks to Central Atlanta Progress, the business organisation which is co-ordinating redevelopment and which sponsors a private force of "ambassadors" wearing pith helmets who keep a look-out on street corners.

With new sports facilities to attract people into the downtown area, the aim now is to attract the remaining hotel and leisure facilities which will make the area a vibrant and lively place after dark.

But the key could be the Centennial Olympic Park, funded by the Chamber of Commerce, and the largest new urban park to be opened in the US since the second world war. Benefitting from the powerful emotional associations created by the Olympics and, tragically, the pipe bomb which exploded there at the end of the first week of the Games, the park is already established as a possible focal point for the new downtown area. This will probably prove to be the Games' most valuable legacy.



■ **Economy and investment:** by Barbara Durr

A magnet for quite some time

Georgia is reaping the benefit of the economic heat generated by Atlanta

Atlanta, the first city to conduct a hard-charging investment promotion campaign tied to the Olympics, can not boast – at least not yet – that all its striving to lure business has paid off. The investors might have come anyway. But it is clear that the campaign has not hurt.

The city has been marketing itself using the 1996 Olympics for the past three years. In 1994 and 1995, Atlanta led the nation in new business relocations and expansions. In 1994, 223 companies entered the Atlanta metropolitan market, and last year an annual record of 260 others joined them.

During the first half of 1996, some 110 business have expanded or relocated in Atlanta, keeping pace with the past two years.

But even city officials and economic observers say that it is speculation to claim that the Olympic-related promotion accounts for the influx of investment to Atlanta. Atlanta has been a magnet for investment for quite some time; between 1985 and 1995, more than 1,500 businesses expanded or relocated in Atlanta, further powering a period of economic growth that started in the 1970s.

Professor Donald Ratajczak, director of the Georgia State University Economic Forecasting Centre, says investors have come "because Atlanta is the dominant place in the South."

The city's location – within two hours' flying time of 80 per cent of the US population – and its excellent transportation infrastructure remain its two key attractions.

Hartsfield International Airport, which was rated the best airport in North America last year by Business Traveller International Magazine, is one of the world's busiest with more than 1,500 daily flights, including approximately 300 international flights. It is also an important distribution site, with three interstate highways and rail freight hub operated by CSX and Norfolk Southern railroads.

In addition, Atlanta's telecommunications capacity, particularly in the wake of Olympic-related digital and fibre optics improvements by Bell South and ATT, exceeds that of any other US city.

Atlanta's relatively low operating costs also figure in investors' decisions, as do its less tangible although equally alluring qualities – a mild climate and ample recreational facilities.

A recent important coup is the investment by South Korea's Sunkyong Group in a \$1.5bn polyester film plant. With planned expansions through 2008, the plant will be the largest polyester film plant in the world and will add about 1,000 jobs in metropolitan Atlanta.

The decision by Sunkyong Group, which will invest \$250m in the plant's first phase, was aided by a \$7.1m grant by the state of Georgia for the purchase of a 300-acres site.

Where the investment goes, so go the job seekers. In the three years between 1993 and 1995, some 140,000 people came to Atlanta, making it the top US city for domestic migration. For business, the domestic migration to Atlanta means that the skills pool is deep and flexible. This helps offset the traditional downside of relocation in the American South; its poor education system.

Currently, Atlanta's job market is tight and the unemployment rate is expected to continue to be a percentage point lower than the national average.

With Atlanta generating so much economic heat, the state's economy, of which Atlanta accounts for 56 per cent, grew in 1995 at 5 per cent; well ahead of the national average. And Georgia is expected to register growth of about 4.5 per cent again this year. Its post-Olympic drop-off, which will mean a slowing to something closer to the national average of only 2.5-3 per cent in 1997 and 1998, will hardly qualify as a recession, according to Mr Ratajczak.

"There is life after the Olympics in Atlanta," he says. "Some cities need an Olympics to arrive. Others peak with the Olympics and then decline. In Atlanta, the Olympics is just part of the growth process. No recession should follow."

Yet even if the Games did not present a watershed in economic terms, Atlanta is hardly a city to miss such a marketing opportunity. And the top economic development promotion campaign created for the Olympics, Operation Legacy, is due to continue at least until 1998.

Operation Legacy – which is a public-private partnership supported by Georgia Power, NationsBank, the Georgia Governor's Development Council and the Georgia Department of Industry, Trade and Tourism – aims to reach its goal of 20 companies and 6,000 jobs. It already claims that since 1994 it is responsible for helping to bring 18 companies to Atlanta, representing 3,100 jobs.

Atlanta's latest tack on investment promotion is, however, intriguing. Mr Bill Crane, the director of marketing for the Atlanta Chamber of Commerce, says that Atlanta is aiming to become the US sports industry capital. There is no such thing at the moment, but the city thinks that with the momentum generated by the Olympics it may be able to break new ground.

Mr Crane notes that most of the growth in professional sports franchises has been in the South and that Atlanta has hosted the largest sports trade show in the world, the "Supershow," for more than a decade. Using its Olympic legacy of sports venues, the city is already bidding on important sporting events through the next decade.

Mr Crane acknowledges that this promotional effort is unlikely to lure sporting goods manufacturers, most of which have their plants in cheap labour locations overseas. Instead, Atlanta will target its efforts on headquarters of sport-related companies and sports marketing companies.

And the sports marketing companies that arrived for the Olympics are indeed staying to till what they say is fertile ground.

International Sports and Entertainment Strategies (Ises), owned by Connecticut-based Clarion Communications, which is in turn owned by the D'Arcy Masius Benton & Bowles (DMB&B) advertising agency, worked with nine Olympic sponsors and its staff got tired of commuting to Atlanta from Los Angeles and other locations. Its new Atlanta office has already lured a new women's professional tennis championship to Atlanta for 1997.

Mr Tim Smith, managing director for Ises, said that local companies such as NationsBank and Bell South had "their eyes opened by the Olympics to sports marketing". With respect to Atlanta's becoming a sports industry centre, he said: "There's more happening in the sports business now in Atlanta than before the Olympics."

Mr Pierre Ferrari of Lang & Associates, a sports marketing consulting company that advises companies on which events and products it would be wise to associate with, said that sports marketing had been growing in Atlanta largely because of the presence of Coca-Cola's headquarters. Coca-Cola, Nike and Budweiser (Anheuser-Busch) are the world's top sports sponsors.

Mr Ferrari, a former senior marketing executive with Coca-Cola, says that Lang, a partnership founded in Canada, opened in Atlanta four years ago specifically for the Olympics, but has stayed because of the growth in the local market.

Hartsfield International Airport is one of the world's busiest with more than 1,500 daily flights

PROFILE Billy Payne

Personal chemistry was a key factor

If anyone personifies Atlanta and its approach to business, it is Mr Billy Payne, the chairman of the Atlanta Committee for the Olympic Games (Acog), and the man who organised the city's bid.

The story of how he won the Games in the first place, starting from a position as a real estate lawyer in suburban Atlanta to win over first the city's business community and then the International Olympic Committee itself, mirrors the rise of Atlanta.

Mr Payne is fond of telling people that "the biggest thing I had managed was my son's Little League baseball team".

And his next career move is also fitting. Early next year, Mr Payne will start his new job as vice-chairman of NationsBank, now the fourth-largest bank in the US, and arguably the most spectacularly successful company yet spawned by the "New South". Independent observers estimate his salary will be about \$1m.

Hugely acquisitive, NationsBank has a branch network which after the completion of its deal to buy Boatmen's Bancshares in St Louis, Missouri, will cover a swathe of 16 states from Maryland in the north, in an arc throughout the south through to Texas, Oklahoma, and New Mexico.

Total assets of the two banks in June this year were about \$233bn. In 1988, NationsBank, then known as North Carolina National Bank, had \$28.9bn in assets: In 1981, as it began its acquisition campaign, it had \$2.5bn in assets.

Its ambition, often frankly stated by Mr Hugh McColl, the company's feisty chief executive, is to become the first truly national banking franchise in the US.

It is a goal which 10 years ago seemed if anything even more bumptious for a small bank based in the south than the aim of bringing the Olympics to Atlanta.

Mr Payne had had plenty of choice. In the months following the Olympics, when he emerged as a national figure, there had been speculation that he could run for political office, or take his pick of corporate offers.

Personal chemistry was the key factor. According to Mr Payne: "First of all, I think I responded to the staff and the people. Through the course of our Olympic development they had been at the very front of the line, and I became friends with people, specifically with Hugh McColl."

The two appear to be kindred spirits: "He and NationsBank are very much goal-orientated. They are aggressive, and they continue to expand and take on new challenges.

"It was all just kind of consistent with the things I like to do, and it seemed to be the perfect opportunity."

Further, it allows him to stay in Atlanta, where he will report directly to Mr McColl. His role will be primarily ambassadorial, "representing the bank in a multitude of ways". According to the bank he will "develop business opportunities with corporate and individual clients", effectively working as an international marketing executive.

But his role as an ambassador in Atlanta itself could be almost as important. NationsBank is based in Charlotte, North Carolina, one of Atlanta's few close rivals for corporate relocations, and it has built its presence in Georgia by buying two Atlantan banks, first C&S/Sovran for \$4.68bn in 1991 and then Bank South in June last year, for \$1.6bn.

Local loyalties are important in US commercial banking, with depositors typically moving their accounts the day that the name above their branch changes.

To avoid this, NationsBank has gone to great lengths to show a commitment to Atlanta.

The NationsBank tower in mid-town Atlanta, the ninth tallest building in the world and looking like a modern version of the Empire State Building, is its most visible statement.

But its commitment to the Olympics has taken almost as high a profile. Apart from its sponsorship, it also provided Acog with a \$300m line of credit, thus giving the organisation vital liquidity in the early days after winning its bid, when there was still speculation that city or state authorities would have to take over.

The interest on the line of credit helped to pay NationsBank's sponsorship fee.

Appointing Mr Payne, now a local hero, is the latest step in the plan. According to Mr Jim Lientz, president of NationsBank Georgia, Mr Payne's appointment is "continued recognition of the importance of Atlanta within our company".

Mr Payne starts his job in February, after a brief rest. He will apply some of the lessons from his 10-year pursuit of the Games at NationsBank, but he remains committed to the exclusively private sector approach Atlanta took to organising the Games.

He is deeply critical of the International Olympic Committee for ruling out another privately-organised Olympics in the future:

"In terms of a model for the future, I know there's been an assessment that it puts too much pressure on the organisers.

"But at the same time, we are fortunate in America to have a private sector which is willing to support the Olympic movement to this extent.

"Making a categorical statement that another private Games will not be allowed in the future in my own estimation has the consequence of eliminating any future American bids.

"That would be the worst thing the Olympic movement could do, because thy depend so heavily on American corporate strength worldwide."

John Authers

■ **Other perspectives: Los Angeles:** by Christopher Parkes

Memory lingers on

Today's echoes of the success may be faint and mundane, but they are still there

At first sight, the legacy of the 1984 Olympics to Los Angeles has long faded. There is a carefully-tended commemorative mural along the side of one of the city's busiest freeways, depicting sporting and civic heroes of the time jogging determinedly towards the future.

Otherwise, and as in 1984, LA is still the smoggiest city in the US. Its roads are still among the most congested. Its inner domains are still littered with the fabric of social and structural decay, most recently torn up, scattered and burnt in the 1992 riots.

And yet the memory of Olympic success – financial, logistical, social and political – lingers indomitably. The profits have long gone, but in spite of appearances, the self-confidence roused by the event is still an important element in the civic psyche.

LA hosted the first-ever private enterprise presentation of the Games on a $500m budget at a time when the Olympic movement was racked by internal, external and political dissent. Romania was the only Soviet bloc country to enter a team, in defiance of the Kremlin-ordained boycott. The mood was so grim that some predicted the Californian event would be the last.

Almost the minute it was nominated, LA became the target of much disdain, especially in the older cities of the US, where its immaturity and tendency to violence had roused predictions of catastrophe.

LA, deep in earthquake and wildfire country – and site of the 1960s devastating Watts race riots – is to accustomed chaos.

But the Olympics was one potential disaster over which the city felt it could exercise some control. In the end, the combined forces of show business and an extraordinary demonstration of cheerful co-operation from citizenry, industry, police and politicians, produced an almost flawless result.

Commuters travelled happily with neighbours and colleagues in car-pooling arrangements which eased the traffic jams. Workers and management agreed on block holiday arrangements, closing plans, further easing the traffic and reducing the flow of atmospheric pollution from factories and tailpipes. The net result was a memorable event which ended a run of summer Games marred by political grand-standing, walk-outs and argument. The LA Games was also, by common consent, fun.

Today's echoes of the success may be faint and mundane, but they are still there. They are perhaps most evident in the daily workings of local governments and the conurbation's myriad authorities which, while remaining fiercely territorial, are undeniably more co-operative than ever.

The latest example emerged along the Santa Monica Freeway where more than half a dozen cities – all of which are effectively if not politically part of LA – and the Highway Patrol, police and media organisations have collaborated in a unique traffic control system.

Both the traffic management techniques and the co-operative spirit applied in the development of this so-called "smart corridor" first became evident in the run-up to 1984.

But such projects offer small satisfaction to the optimists who had hoped the Games might mark a turning point rather than a bright episode in the city's history.

It was with a great leap of faith that in May 1992 the city turned to Mr Peter Ueberroth, chairman of the 1984 Olympic organising committee, to run Rebuild LA, an independent body which was to help restore the economic infrastructure of central areas destroyed in the riots of January that year.

When its remit expires early next year, RLA will hand over its responsibilities and its tiny cash reserve to a University of Southern California project.

It leaves only a modest collection of rebuilt retail stores, self-help groups for businesses and exporters, and a massive accumulation of research data on the scale of the job remaining.

Early hopes of attracting large-scale industrial investment have long evaporated along with the meagre $9m which RLA raised from private sector donors such as IBM and Bank of America.

■ **Montreal:** by Bernard Simon

Counting the costs

Bills continue to roll in and the total cost is estimated at C$2.4bn

Sports fans will forever associate the 1976 Montreal Olympics with Nadia Comaneci, the diminutive Romanian gymnast who dazzled the world with her 10-out-of-10 performance on the asymmetric bars.

But for many Montrealers, the first name that springs to mind from 1976 is Jean Drapeau, the city's mayor at the time, who made a laughing stock of himself with his bold prediction that the Olympics could no more run a deficit than a man could have a baby.

It was clear even before the Games began that the mayor was wrong. Mr Drapeau expected the Olympics to cost C$250m. The tab is now estimated at C$2.4bn.

The Montreal Gazette said in an editorial just before the opening of last summer's Atlanta Olympics that "our Games proved to be a costly lesson; one that has not been repeated since."

The Montreal Olympics are often seen as a turning point in the city's history. Quebecois elected their first separatist government in the same year as the Games.

Tourists still marvel at the city's European ambience, enhanced by a French-first language law passed three years after the Olympics.

But residents are struggling with a 12 per cent unemployment rate, an unremitting property slump, and an eroding tax base. Political uncertainty has unsettled the business community and led many English-speaking residents to pack their bags for Toronto, Calgary and Vancouver.

Meanwhile, the bills for the Olympics keep rolling in. The Olympic Installations Board, a Quebec government agency that oversees the Olympic facilities, still has outstanding debts of C$400m. The debt is not expected to be paid off until 2005.

The provincial government subsidises the board to the tune of C$9m a year; equal to more than a fifth of its annual revenues.

Montrealers console themselves with the knowledge that the facilities built for the Olympics have given them a good deal of pleasure over the past two decades. The stadium for 70,000 spectators, with its distinctive leaning tower and exterior cable car, has become a local landmark, even though its roof has never been finished and large slabs of concrete periodically fall off.

The stadium is home in summer to the Montreal Expos baseball team, one of two Canadian teams in the big North American leagues. For the rest of the year, it is rented out for exhibitions and concerts.

The former Olympic village has been turned into an apartment complex. About 15 per cent of the 980 units are set aside for low-income residents. The six Olympic pools, part of the stadium complex, are open to the public, attracting about 400,000 visitors a year.

The Velodrome, built for cycling events in 1976, is now a natural science museum, known as the Biodome, containing typical fauna and flora of four ecosystems – boreal forest, tropical forest, the polar ice cap and the St Lawrence River – under a single climate-controlled dome.

A 1980 judicial inquiry into the cost overruns that bedevilled the Olympics laid much of the blame on Mr Drapeau's lax controls.

The ailing former mayor said earlier this year that he still hears "horrifying stories" from former workers at the Olympic site, relating how "materials came in one gate and promptly went out another."

Mr Drapeau acknowledged that "much would be done differently knowing what I do today."

■ **Tourism and conventions:** by Barbara Durr

Facelift is already paying dividends

The city does not seem to be having trouble in filling its increased hotel capacity

Atlanta underwent an Olympic-sized facelift for the 1996 Summer Games that has made the city far more attractive and visitor-friendly. The change – at a price of more than $2bn in public and private investment – may not bring the kind of global status aspired to by Atlanta's most die-hard promoters, but the pay-off on its downtown sprucing up is already starting to roll in.

Next year, a record number of conventions – 57 – will be held in Atlanta and bookings through to 2000 are running strong. Mr Carey Roundtree, executive vice-president for sales at the Atlanta Convention and Visitors Bureau, says: "The renovations downtown have made Atlanta more attractive to business meetings and conventions."

The centrepiece of Atlanta's renovations is the Centennial Olympic Park. The 21-acre park, funded privately for $57m, replaced a scattering of unsightly parking lots and mostly run-down buildings in the heart of downtown Atlanta.

For business travellers, the Centennial Park adds an enormous amenity. It joins with green space three of the city's biggest convention facilities, the Georgia World Congress, the Georgia Dome and the Atlanta Market Centre.

The park has attracted a developer, Legacy Properties International, which is currently finalising an investment deal for a new, four-star 300-suites hotel on the five-acre site facing the park that they own. Legacy expects to make an announcement before the of the year.

Mr David Marvin, president of Legacy Properties, says the $40m-plus hotel project "with architectural merit" would be fitting "because what's needed on the park is quality." This will be Mr Marvin's second attempt to get a mixed-use complex developed on the park. An earlier financing deal to build such a complex, anchored by a 300-room Holiday Inn Crowne Plaza, fell through.

The Georgia World Congress and the Georgia Dome also enhanced their drawing power with a $28m six-acre park on top of a parking garage that adjoins the Centennial Park. Grandiloquently called Georgia International Plaza, this additional green space connects the Georgia World Congress and the Dome with Omni Coliseum, another convention and athletics venue.

Another downtown public space, Woodruff Park on Peachtree Street, Atlanta's main thoroughfare through the city, received a $5m makeover courtesy of the Robert W. Woodruff Foundation, whose largesse is the result of the Woodruff family's ownership of Coca-Cola earlier in this century. This formerly unadorned park now features a 30-foot fountain, waterfall, music pavilion and the bronze statue of a woman and bird called "Phoenix Rising from the Ashes," which represents the city's resurgence after being burned to the ground by Union General William T. Sherman during the American Civil War.

The King Centre, the main memorial to civil rights leader Martin Luther King Jr, also opened an $11m 21,000 sq ft visitor centre complex just outside the downtown business district. The King Centre, considered a must-see stop for most tourists to Atlanta, usually draws about 1m visitors a year.

The downtown area's lure for business travellers also includes some important hotel renovations and construction. The Hyatt Regency, one of the top business venues in Atlanta, underwent a $35m expansion and renovation that included the construction of 30,000 sq ft ballroom, a 40,000 sq ft exhibition hall and a 19,757 sq ft conference centre.

Marriott converted a haggard Ramada property into two mid-priced hotels, one a 217-room Courtyard by Marriott and the other 242-room Marriott Fairfield Inn.

In metropolitan Atlanta, which includes a large swathe of 20 mostly suburban counties surrounding the central city, a total of $100m worth of hotel renovations and expansions took place in the run-up to the Olympics.

Approximately 6,000 new rooms, mostly in the limited service category, have been added this year alone. This brings metropolitan Atlanta's number of rooms to about 62,000 and comes on the heels of a 10-year expansion of hotel rooms in Atlanta. According to a survey of hotel general managers by PKF Consulting, the number of hotel rooms in Atlanta has risen at a compound annual rate of 3.3 per cent between 1985 to 1995.

And more are coming. Next year, Holiday Inn, for example, will open a new 110-room Holiday Inn Express, its limited service line, in the downtown area.

With the boost to business from the Olympics, the city does not seem to be having trouble digesting this fresh hotel capacity. Occupancy is running this year at 73-74 per cent, up from 72.9 per cent in 1995 and just 61 per cent five years ago, according to Mr Roundtree. "There is growth in all segments of the market," he said.

Helping to boost hotel occupancy are a large number of trade exhibitions. The trade magazine Expo recently rated Atlanta the number one American city in 1996 for trade shows. Atlanta will have 141.

The record number of conventions due in 1997 is slightly inflated owing to the postponement of some that would have been held in the city during 1996. But even so, Atlanta's pre-Olympics annual count of conventions – which are defined as events requiring more than 3,000 rooms – had been 42 or 43 a year. By 1998, the annual benchmark will rise to 48 or 49.

In 1995, the city-wide convention income was $1.1bn, which includes more than 1.4m room-nights.

The Games' main legacy for tourism is the various Olympic sports venues, including the $189m Olympic Stadium, which hold the promise that the city may be able to bid more successfully for important professional and amateur sporting events. The city's newly-hatched campaign to become the nation's sports industry centre is likely to intensify efforts to bring in sports events – and the accompanying tourism.

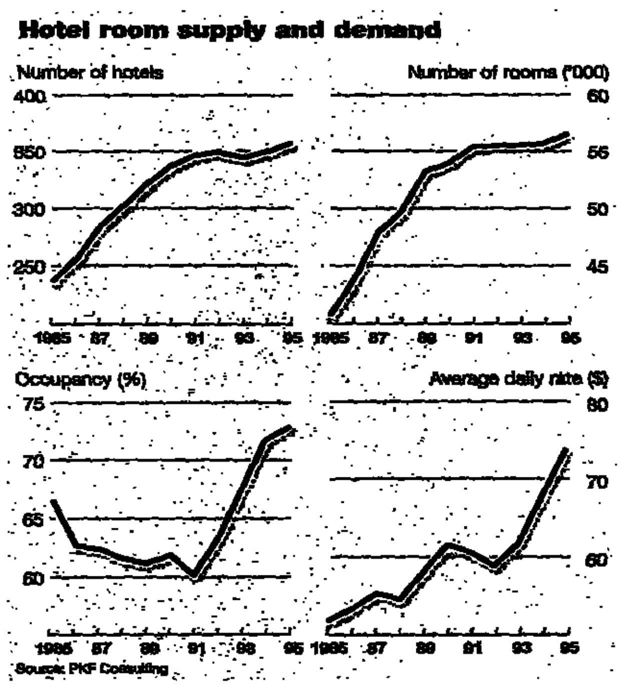
Atlanta has also won the American football extravaganza known as "Super-bowl" in 2000. And it will also have a new $215m sports arena for its professional basketball team, which is backed by Turner Broadcasting System.

It has already won a new women's professional tennis championship, the US Women's Hard Court Championship, based on its newly-built Olympic tennis centre at nearby Stone Mountain, according to Mr Tim Smith, managing director of the sports marketing company International Sports and Entertainment Strategies, which organised the event and signed on television coverage from CBS.

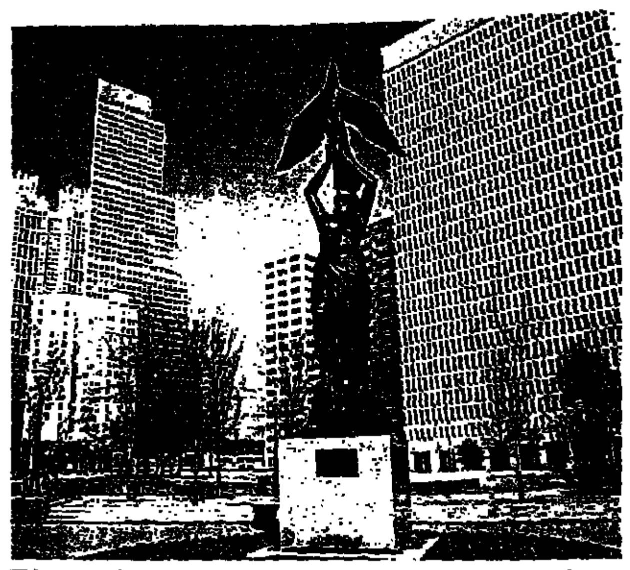
Beyond sports arenas, Atlanta does not hold the tourism allure of New York, Chicago, Miami or, for that matter its sister-city in the state of Georgia, Savannah. Although Savannah is small it draws considerable tourism attention for its lovely colonial-era architecture and fine restaurants.

City tourism officials are trying to package "The New Atlanta," but confess they are challenged by how to describe the city. Best known as a place to make a buck, the "heart of Southern commerce" just doesn't have the ring they'd like it to.

Hotel room supply and demand



Source: PKF Consulting



This statue in Woodruff Park, downtown Atlanta, represents the city's resurgence after it was razed during the American Civil War

■ **Sydney:** by Nikki Tait

A slightly sober outlook

Transport and security issues are the most significant areas for concern

Mr Bob Carr, premier of New South Wales, was asked recently what lessons organisers of the Sydney Olympics, scheduled for the year 2000, had absorbed from Atlanta.

The problems of moving large numbers of people, facilitating the host city's continuing business life, and security, he replied. "But they weren't lessons which took us by surprise," he added, soothingly.

Most Sydneysiders would probably pinpoint the same issues. While generally enthusiastic about the publicity which their city should draw from the event, and the likely economic boost, they are fully aware of the transport system's limitations.

The standard response from Games organisers to these concerns is that Sydney's geography, and the way in which the Games have been planned, will mean big differences with Atlanta. The Olympic facilities will be concentrated on a 760-hectare site at Homebush Bay, which lies about 14km from the city. The athletes village will be built next door, and the number of participants firmly capped at 10,000.

"These are really the Western Sydney Games," says Mr Carr.

But while the Games may be staged in the city's west, and most athletes housed within walking distance of their events, much of Sydney's population (resident and visitor) will still need to travel across one of the world's largest urban areas.

The current approach of Games organisers is to emphasise public transport. A rail link is being built into centre of the Homebush site, at a cost of more than A$90m. This is designed to carry up to 50,000 people an hour – and comes as a refinement to the bid proposal which simply envisaged a track terminating on the edge of the development site. Heavy use of buses will then augment the rail traffic, bringing a further 28,000 people an hour in and out of the site.

Private cars are unlikely to be allowed on the site, although 10,000 parking spaces will be available for dignitaries, officials and suppliers. Instead, buses will run from remote parking centres. The broad assumption is that about 60 per cent of visitors will arrive by rail; 30 per cent by buses; and the remainder on foot or bicycle.

More broadly, officials have given the go-ahead for a A$600m toll road linking the airport with the Harbour Tunnel, and hence the city's North Shore – a decision which came within days of Atlanta's closing ceremony. Environmental groups are also lobbying to make the city centre traffic-free during the Games. A comprehensive transport plan is due to be released in 1999.

Far less clear is how Sydney's already congested airport will cope. Noise problems have already led to a cap on aircraft movements, and delays are frequent. Visitors may yet find themselves arriving at either Canberra or Newcastle airports – although both would probably need fairly costly upgrades to cater for international aircraft.

Security issues, meanwhile, have had a less public airing post-Atlanta, although planning has been reviewed. Earlier this month, the local state government also signed an agreement with the British government, giving the New South Wales police force (headed by a recently-arrived Englishman) access to UK security assistance. But the potential problems were well illustrated when Sydney held its ticker-tape parade for Olympians returning from the Atlanta Games.

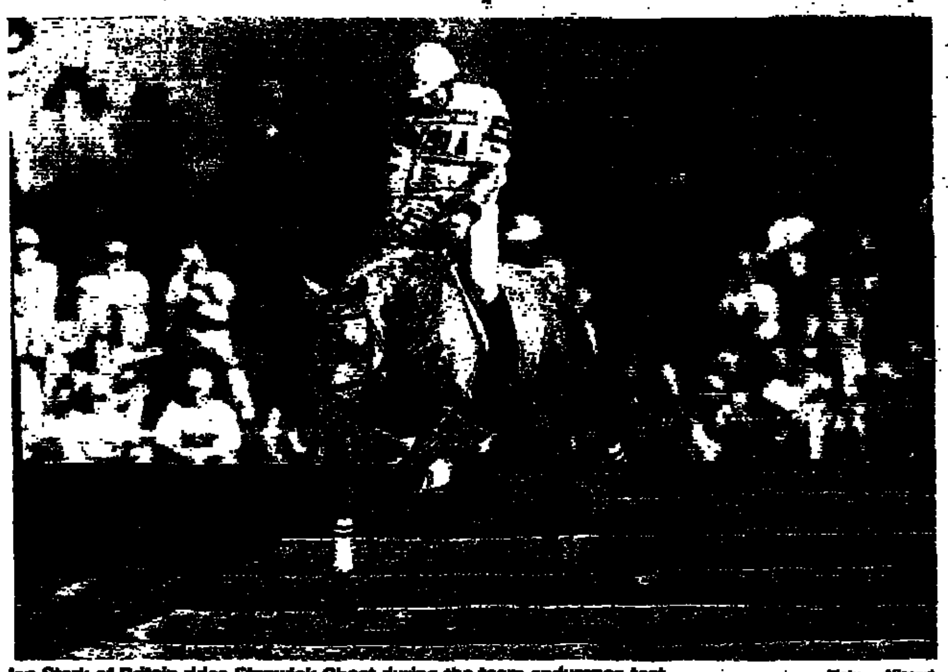
A particularly large crowd – about 100,000 – turned out. As enthusiasm mounted, sports fans spilled off the pavement and on to the road, trapping the athletes' cars in the melee. In many respects, the occasion was markedly Australian in its warmth and informality, but from an organiser's standpoint, it was not auspicious.

Perhaps the final lesson being taken from Atlanta is not to allow private enterprises' hopes to be pitched too high. "It would be foolish to say the Games are an economic bonanza or that they'll solve our economic problems," says Mr Carr.

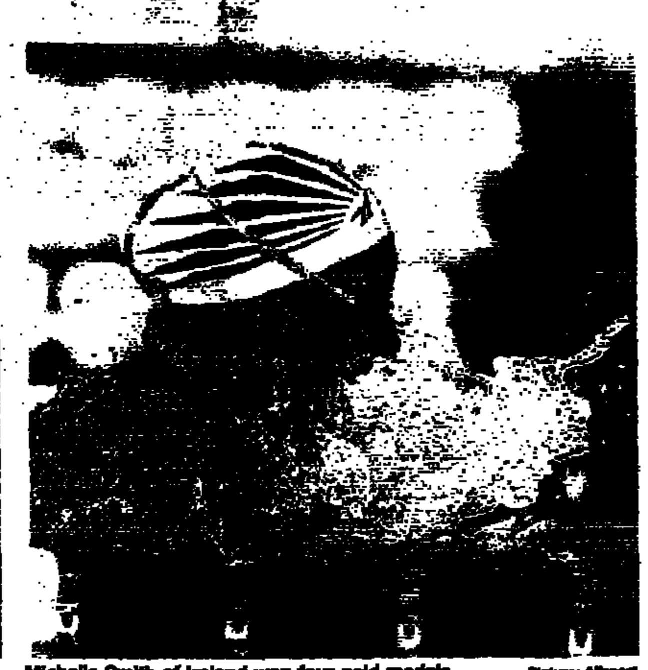
"But if the other things are going for us, the Olympics, the tourism can only help".

It is a slightly more sober message than one exuded by a previous government when the bid pitch was made.

Plenty of exceptional performances: Laser class Olympic regatta off Savannah, Georgia *Picture: Reuter*



Ian Stark of Britain rides Stanwick Ghost during the team endurance test *Picture: Allsport*



Michelle Smith of Ireland won four gold medals *Picture: Allsport*

The Games: by Peter Aspden

Riddled with problems

Despite the glitches there were great performances and record attendance figures

The 26th Olympic Games, billed as the greatest sporting event of all time, started with an impressive *coup de théâtre:* the sight of Muhammed Ali, trembling terribly from Parkinson's Disease, lighting the Olympic flame in Atlanta's new stadium.

The poignant message was that sport had the capacity to disable as well as ennoble; but it was worthy of celebration anyway. The crowd loved it. It seemed, on that first night, as if nothing could stop this from being the greatest Olympics of all time.

But by the evening of the closing ceremony, that moment of dignity seemed a long time past. The Atlanta Olympics was to go down as one of the least successful of modern times: riddled with logistical problems, over-commercialised and sabotaged by a single act of terrorism which cast a long shadow over the festivities.

Even Ali's reputation suffered, as Joe Frazier, his greatest rival, made a scathing attack on his "draft-dodging" and joked about Ali nearly burning himself on the Olympic torch. How had it all come to this?

The first problem to afflict Games organisers came from an unexpected quarter: the computerised system that had been set up by International Business Machines to feed results to journalists. Delays in the official "Info 96" network were so bad in the first few days that officials were forced to pass starting line-ups and results to journalists on paper.

For a city that prided itself on entrepreneurial and technological sophistication, and a company which had paid $40m to become a Games sponsor, the glitches were a huge embarrassment.

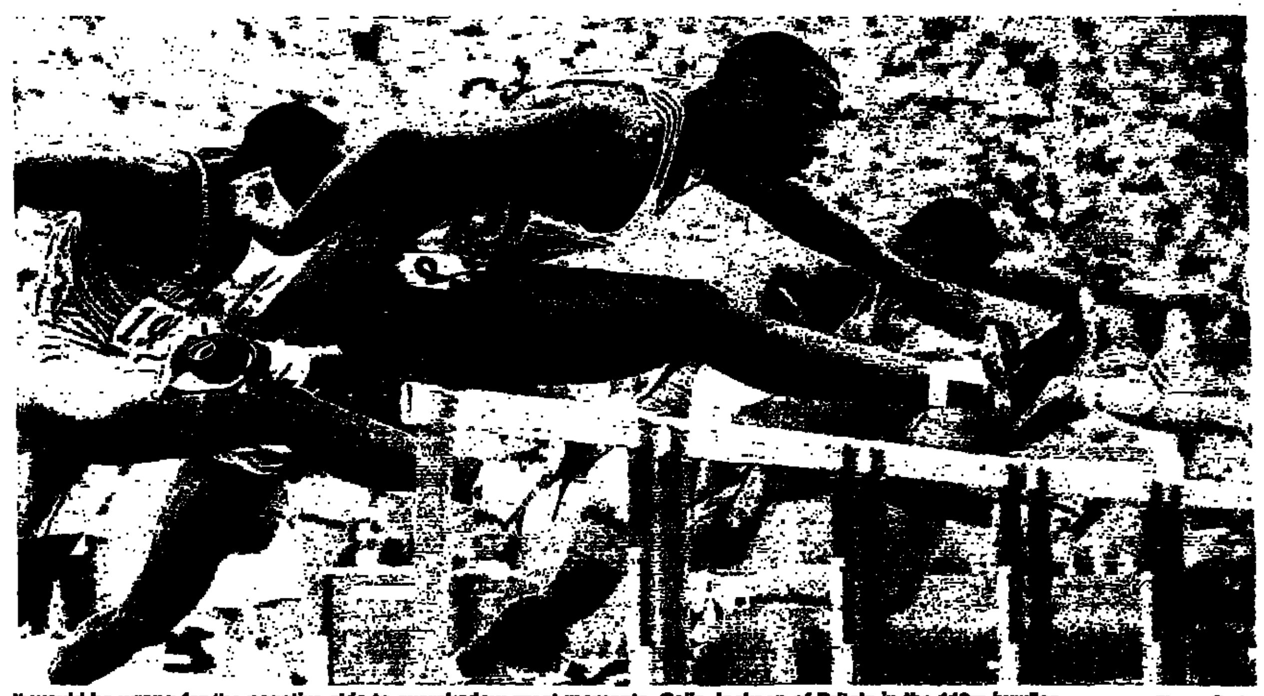
Once the day's sporting action was over, however, journalists had an even more pressing problem to deal with: moving around the city. Transport was always going to be a critical determinant of whether the Games would run smoothly. But members of the 17,000-strong media found themselves in traffic jams, trapped with drivers from out of town who did not know the way to venues, arriving late for the start of events.

Little surprise, then, that the reports to come out of the first few days of the Games talked of chaos and incompetence. True, most of the problems were being suffered by journalists – but as the International Olympic Committee pointed out, it is ultimately the media who decide whether an Olympic Games is successful or not.

Atlanta had long trumpeted its ability to stage a uniquely spectacular event. Now, those who had opposed the granting of the Games to an American city for the second time in 12 years gleefully put the knife in.

The head of the Atlanta Committee for the Olympic Games, Mr Billy Payne, countered the critical reports with some belligerence of his own. He accused the media of painting too gloomy a picture and pointed to the crowds which were attending the newly-created Centennial Olympic Park in their thousands.

Here, he said, was the true spirit of the Games – people from all over the world getting together and having a good time until the small hours. But it was in the small hours of a Saturday morning that Mr Payne received the call that a bomb had exploded in the park, leaving two dead and more than 100 injured. Once more, the story from Atlanta made grim reading.



It would be wrong for the negative side to overshadow great moments. Colin Jackson of Britain in the 110m hurdles *Picture: Reuter*

The second week of the Games saw the city rally round and enabled spectators to concentrate on what they had paid to see: the sport. The glitches were gradually resolved, Centennial Park re-opened after a huge security operation, and achievements in the sports arenas took the breath away.

There was Michael Johnson: an easy, almost casual winner of the 400 metres, he produced the outstanding display of the Games with his 200 metres victory which sliced more than three-tenths of a second off the world record.

Carl Lewis, too, made history with a fourth consecutive long jump title. Yet both gold medallists slightly sullied their reputations: Lewis by mounting an ungracious campaign to be picked for the US 4 X 100 relay team (he failed); Johnson by wearing a lurid pair of gold shoes that showed even less respect for his opponents than his running.

The latter were supplied by Nike, whose aggressive and unsportsmanlike advertising campaign ("You don't win silver, you lose gold") earned them a reprimand from the IOC, which did not enjoy seeing the ideals of the Olympic movement trashed in such cavalier fashion all over Atlanta's billboards.

Neither did it appreciate the generally tawdry atmosphere in the city streets as hundreds of stall-holders competed for space in an attempt to cash in on the Games. The entrepreneurial zest of Atlanta proved a little too fruity for the sophisticates of the IOC, for whom high-minded sporting ideals must be seen to matter.

In the end, it all came down to a matter of taste. There was certainly enough to offend the purist: the crowds whooping and dancing at the beach volleyball; NBC's sickly-sentimental and jingoistic coverage of all events; the US's lethargic "Dream Team" of basketball stars picking up their gold medals almost as of right; the unseemly scramble to sign up Kerri Strug, the diminutive gymnast, as the new star of the Wheaties cereal box.

But there were also record attendance figures – to see a full stadium cheering on the women's soccer was an extraordinary sight – and plenty of exceptional sporting performances to live long in the memory. It would be wrong, in the cold light of day, for the negative side of Atlanta's Olympics to overshadow those marvellous moments.

The stadia: by John Authers

City must make them pay

In some US cities, new baseball parks are part of inner-city revitalisation

The Olympics have left several tangible legacies all over Atlanta. They are the stadia, and the city now has to make them pay.

Pride of place goes to the Olympic track and field stadium, which is now being expensively and radically transformed into a baseball park named in honour of Ted Turner, founder of CNN and owner of the brilliant Atlanta Braves baseball team.

European commentators, in particular, seemed to regard this as a cynical transaction. In the US, there was criticism that the stadium should have been named after Henry Aaron, one of the greatest baseball players, who spent the last years of his career in Atlanta, rather than a tycoon.

But it allowed Atlanta swiftly and satisfactorily to settle an issue which has left other cities across North America mired in years of political acrimony. The deal also illustrates the increasing importance that cities across the US are placing on professional sports as an aid to economic development.

Separately, Atlanta is also building a new state-of-the-art arena for its Hawks basketball team, which will also allow the city to bid for an ice hockey franchise – a sport which has no traditional base in the south, but in the past few years has spread south from its traditional Canadian base, with two teams now established in Florida and one in Arizona. Coupled with the Georgia Dome, already in place for professional football, the Olympic stadium is intended to bolster Atlanta's bid to become the US centre of the sports industry.

Other fast-growing southern cities are using the same strategy, bringing professional football to their downtown areas. Charlotte, North Carolina, and Jacksonville, Florida, bought expansion franchises, while businesses in Nashville, Tennessee clubbed together to tempt the Oilers football team away from its home in Houston's Astrodome.

According to Mr Tom Cunningham, a researcher with the Atlanta Federal Reserve, building the stadium was probably the biggest single benefit to Atlanta: "Stadiums are a real problem now. You get into these very expensive political fights about where the team is going to play. It could have been the city or one of three or four suburbs who would have engaged in a protracted political struggle. This solved that problem, and it's not at all trivial."

Crucially, the deal keeps the Braves' stadium in the central business district, thus safeguarding the city's ambitious plans to revitalise the area. These plans would have been seriously damaged if it had lost the lure of a baseball stadium to attract leisure visitors during the evenings.

Other cities, such as Baltimore and Cleveland, have already made the building of glorious new baseball parks the focal points of plans for inner-city revitalisation.

Elsewhere, even the illustrious New York Yankees, the Braves' eventual nemesis in this year's World Series, are lost in politics, with politicians and business interests divided over whether the team should stay in the South Bronx, one of New York's most depressed and crime-ridden areas, or move to the west side of Manhattan, near the central business district, or depart for the New Jersey suburbs.

Mr Stan Kasten, the Braves' aggressive New York-born president who also runs the Atlanta Hawks basketball team, puts the problem succinctly: "If it wasn't for this deal, we would have had the same dilemma as everyone else in the league. Either you always have a competitive team with heavy losses in perpetuity, or convert to a very low payroll team. The alternative was to move to another stadium and that would have been presumably a suburban deal."

He made the deal after being approached by the Atlanta Committee for the Olympic Games (Acog), and agreed that the team would play in the stadium on the condition that it was suitably converted. The total cost of the project is about $250m, of which the Braves must pay only about 10 per cent, the rest of it coming from Acog. According to Mr Kasten: "It's a stellar deal for everyone. Acog might have questions, but they don't sound unhappy to me."

The stadium is already unrecognisable as the oval track and field venue it was during the Games. Mindful of the terrible reputation endured by Montreal's Olympic stadium, now one of the least popular baseball parks in north America, the Braves organisation was involved in all stages of planning the Atlanta venue.

As a result, Ted Turner stadium should be a profit-producing machine, increasing income by "double-figure percentages". There will be wide concourses offering views of the field and twice the number of concessions and food services available at present, including a new "Chop House" barbecue restaurant with a view of the field and within reach of home run balls.

It will also have a wall of interactive videos, and a Hall of Fame museum as part of a range of entertainments for children, and "the biggest and brightest scoreboard ever built in the US". Above the marquee entrance, spectators will be able to watch footage of all the other baseball games taking place that night.

In Atlanta, criticism has centred on the decision by the city council to tear down the Braves' current stadium, which it owns and had stood for 30 years on land adjoining the Olympic stadium. But Mr Steve Labowitz, chief of staff to the mayor, does not apologise. The debt on the old stadium could not have been serviced, he points out, while the new stadium will need parking space. And people in the neighbourhood were worried by the prospect of crowds thronging to two separate stadiums.

The Olympic track and field stadium which is now being expensively transformed *Picture: Reuter*

QUEBEC

The mood is against any risky business

Political preoccupations have long deflected attention from economic ills. However, a determined campaign has now been launched to reshape the economy. Bernard Simon reports

A very New World success story: in 1985, a troupe of street performers fought to borrow C$1m. Today, they're expecting sales of C$125m. 'The big top business', page 5

Lucien Bouchard in autumn 1996 is barely recognisable as the fiery Quebec politician who, little more than a year ago, came within an ace of breaking up Canada.

Mr Bouchard galvanised Québecois and struck fear into the rest of the country in the weeks leading up to last October's independence referendum. Reminding Québecois of their perceived humiliations by English Canada and their proud achievements as North America's French-speaking "nation", Mr Bouchard led the Yes side to within one percentage point of victory.

Canadians wondered how long he would wait to drive home the advantage with another referendum. Longer than expected, is the answer that has emerged over the past year.

Since taking over as premier last January, Mr Bouchard's priorities and his political style have undergone a sea-change. His favourite themes are no longer independence, but investment, job creation and fiscal discipline. His most passionate speeches are delivered not at political rallies, but at chamber of commerce luncheons.

The shift – and the tensions unleashed by it – were evident at a recent "summit" of business leaders, trade unions and social activists timed to coincide with the first anniversary of the referendum. Mr Bouchard urged participants "to go beyond our narrow loyalties ... to find solutions which will improve our economy and create jobs".

But on the street outside the Montreal hotel where the summit was held, hundreds of demonstrators – many of whom voted Yes in the referendum – protested noisily against a supposedly social-democratic government that seemed intent on public spending cuts, deregulation and other concessions to big business.

On the day the summit opened, Mr Bouchard also received a testy broadside from his predecessor, Jacques Parizeau, whom Mr Bouchard elbowed aside in the closing weeks of the referendum campaign.

"That the government speaks only rarely of Quebec sovereignty is not in itself surprising," Mr Parizeau wrote in a lengthy commentary. "We can let people catch their breath. But we shouldn't wait too long. The longer the slipping continues, the harder it is to reverse."

For now, however, most Québecois appear in no mood for a risky political adventure. Michel Lemieux, vice-president at Léger & Léger, a Quebec City polling firm, estimates that about 35 per cent of Québecois are "hard-core" separatists. He says the voters who need to be persuaded "don't want another referendum now".

Quebec's preoccupation with its political future deflected attention until recently from a deep and prolonged economic malaise.

Growth has lagged the rest of Canada for more than two decades, and the gap is expected to persist this year and in 1997. Unemployment in Quebec is currently 12.6 per cent, compared with under 10 per cent in the country as a whole.

Montreal relinquished its role as Canada's main financial and commercial centre to Toronto in the 1970s. The city's tax base has eroded and the property market is in a deep slump.

Tens of thousands of English-speaking Québecois, alienated by a French-first language law and fearful of political instability, packed their bags for Ontario and points west.

Quebec has also been slow to adjust to the market-oriented policies that have swept other parts of Canada. The public sector continues to direct large segments of the economy, through such powerful agencies as Hydro-Quebec, the provincial power utility, and the Caisse de dépôt et placement du Québec, the public-sector pension fund manager. There has been talk of privatisation, but little action.

Progress on the fiscal front has also lagged most other provinces. Quebec's deficit-to-GDP ratio of 2.3 per cent in the fiscal year to March 31 1996, was the highest of any province except Ontario. Its debt-to-GDP ratio of 44 per cent is also well above the average.

Tax rates are the highest in the country, except for Newfoundland.

Some foreign investors have been attracted by tax concessions, a skilled workforce, and a uniquely European ambience in North America. But many – especially from other parts of Canada – are hesitant to commit themselves in an uncertain political climate.

Against this sombre background, Mr Bouchard has launched a determined campaign to reshape the economy. He has promised a balanced budget within the next four years, with the emphasis on spending restraint.

Sweeping reforms are under way in education, health care and social services. According to Mr Bouchard, "even at the minimum wage, it will be distinctly more profitable to work than to receive an income security cheque".

The government hopes to encourage more private-sector investment by improving tax concessions for research and development and labour training, and by deregulation. For instance, the number of projects requiring environmental permits will be cut by 40 per cent.

According to one political observer in Quebec City, the premier "really means it when he says he wants to get the economy back on its feet".

However, implementing the strategy will not be easy. Until the referendum, Mr Bouchard's political home was in Ottawa, where he led the Bloc Quebecois, a group formed in the late 1980s to push secession at the federal level. He has yet to secure the trust of the Parti Quebecois, the provincial party he now heads. The PQ is known for its strong-willed organisers, who pride themselves on being their leader's masters rather than his servants.

Furthermore, the budget cuts are likely to hit hardest some of the PQ's core supporters, such as trade unions and social activists. Rumblings of discontent, along the lines of Mr Parizeau's criticisms, have already surfaced in the party.

For the time being, Mr Bouchard appears in a strong position. He remains by far the most popular politician in Quebec, and would not be the first leader to impose a market-oriented agenda on a party steeped in social democracy.

The opposition is weak. Daniel Johnson, head of the opposition Liberals, not only lacks Mr Bouchard's charisma, but has been undermined by constant tension between the Quebec party and the federal Liberals, led by prime minister Jean Chrétien.

Mr Bouchard's success in turning the economy around will depend heavily on the private sector's response to his challenge to invest and create new jobs.

Business has so far reacted warily, welcoming some of his initiatives, but worried they will be diluted by others, such as pay equity. According to business participants at the summit, the uncertain political climate and the language laws continue to cast a shadow over economic recovery.

Mr Bouchard has pledged not to hold another referendum for the next 2-3 years. Opinion polls still show a near-even split between the federalist and separatist camps, but they also confirm that Québecois are in no mood for another divisive vote.

The business community and even some nationalist politicians have urged the premier to extend the moratorium further into the future.

On the other hand, pressures within the Parti Quebecois may make it difficult to delay another vote much beyond 1999.

The pro-Canada camp worries that Mr Bouchard will turn the economy to the separatists' advantage. If his reforms work, he can go into the next referendum campaign assuring Québecois that their new country will be built on solid economic foundations. If it fails, he can – as he has often done in the past – blame Ottawa and the rest of Canada for Quebec's ills.

Separatists remain encouraged by the consistently strong support for independence among young people. Bernard Landry, deputy premier and finance minister, says confidently that "time is on our side".

The events of the past year have shown that Mr Bouchard is a flexible and pragmatic politician. He will rev up the separatist engine again only when he is absolutely sure of victory.

IN THIS SURVEY

Production editor: Heather Parker

■ **Financial institutions:** by Robert Gibbens

Facing up to the new world

The power of electronics is spurring a new generation of developments

A sluggish economy, slow population growth and the power of electronics are creating intense competitive pressures among Quebec financial institutions.

The two biggest indigenous groups – the Mouvement des Caisses Desjardins, with assets of C$79bn, and National Bank of Canada, with assets of C$49.5bn – have laboured to reduce bad loans, restore pre-recession margins and expand market share. However, they are confined mostly to Quebec. Simultaneously they are fighting competition from the big national banks such as Royal Bank of Canada and the Bank of Montreal, and some foreign banks.

Both the Desjardins group and National Bank are looking beyond Quebec as they ponder market globalisation, the growth of mega-funds and the versatility and capacity of the new electronic systems.

The Mouvement Desjardins, founded on European co-operative lines nearly a century ago to finance tradesmen, farmers and small businesses, operates primarily as a retail bank, and has nearly half the Quebec retail market through 1,300 semi-autonomous Caisse Populaire branches. It also controls the publicly-traded Desjardins-Laurentian Financial Corp (DLFC), a holding company with assets of C$22.7bn.

DLFC in turn owns a trust company, two life insurance companies, a general insurance unit, a brokerage, and 57.5 per cent of Laurentian Bank, the seventh biggest Canadian bank.

Restructuring of trust services and steady growth in insurance have improved DLFC's profits. Return on equity in the second quarter was 14.5 per cent.

Imperial Life, the bigger of DLFC's life units, operates across Canada and in the US. DLFC makes up the

The banking heavyweights: Claude Béland, president of the Mouvement Desjardins; Jean-Guy Langelier, president of Caisse Centrale; and André Bérard, chairman of National Bank

Mouvement's main operations outside Quebec – although it also has links with credit unions in other provinces and the US. The wholesale banking unit, the Caisse Centrale, operates in Canadian and international money markets.

"The Mouvement now has a pan-Canadian presence and we mean to reduce operating costs and maximise cross-selling," says Claude Béland, president.

The whole Mouvement earned C$118.1m in the first half, down from C$162.4m a year earlier, partly due to the high cost of re-engineering. It is about halfway through a C$300m upgrade of the retail network's electronic banking facilities.

Jean-Guy Langelier, Caisse Centrale president and senior executive vice-president of the Mouvement, says rationalisation and modernisation will reduce the number of branches to about 1,000 in three years, and adapt them to electronic banking, the Internet and the cashless society.

The Mouvement's Caisse Populaire network focuses on individuals and small and medium-sized businesses. "We'll stay close to our roots, but we may well forge closer links with other co-operative institutions in North America and elsewhere," says Mr Langelier.

The 650-branch National Bank has its origins in the 1979 merger of two Montreal-based chartered banks. It boasted a 15 per cent return on equity before the recession, but soon aggressive Third World and commercial property lending brought problems.

Since early 1993, the trend has been positive. It is looking to lessen its reliance on Quebec, and earlier this year bought two trust companies in Ontario.

For the nine months ended July 31, National Bank posted a 34 per cent gain in earnings to $244m. Return on equity was 15 per cent against 11 per cent a year earlier, and after special items, 13.3 per cent against 11.4 per cent. Mutual fund assets grew 35 per cent. Its expanding brokerage and investment banking unit, Levesque Beaubien Geoffrion, is a strong contributor to profits this year.

Desjardins has been gaining retail banking market share, but National Bank has a growing share of the Quebec residential mortgage market and is going after mid-market corporate lending. It has a new life insurance subsidiary that can operate outside Quebec, asset-based corporate lending in the US, and is swiftly applying the latest electronic banking technology, with US technical links.

"Our US corporate lending experience has helped to give dozens of Quebec companies a solid presence in the US," says André Bérard, chairman.

Another Quebec institution, the trade union-sponsored Solidarity Fund, started in 1983 with $20m in capital subscribed by the Federal and provincial governments. About 60 per cent of its assets are risk-capital investments, but the Fund also invests heavily in troubled companies to save jobs – with varying success.

Investors buy shares in the Fund and can benefit from substantial federal and provincial tax credits. But sales are restricted. Last year the Fund invested $116m directly into the economy. Net assets at April 30 were $1.7bn and return on investment was an annualised 12 per cent for the first half of fiscal 1996.

Exchange looks for modern identity

Montreal Exchange (ME), Canada's oldest stock exchange, is wrestling with the challenge of adapting for the 21st century.

This year the ME has seen record stock trading volume, up 25 per cent by value in the first nine months. New listings so far in 1996 total 40, up from 23 in all 1995. The ME has worked hard to become Canada's derivatives centre, and trading in this field accounts for about 30 per cent of revenues.

However, the ME is fighting to maintain its share of Canadian equity trading at 14 to 15 per cent. Institutional trading gravitates to the bigger Toronto Stock Exchange, and trading in big inter-listed issues by all Canadian exchanges has been shifting gradually towards US exchanges for several years.

Some institutions say the ME's derivative products lack sufficient volume and liquidity to attract US commodity trading advisors or broader international interest. Others say a problem is the reluctance from Canadian institutions to use futures for hedging and risk management.

The new-look ME is to remain a trading centre for stocks, options and futures, even though some believe its role in stock trading ultimately will be abandoned because of high cost.

Sylvain Perreault, executive vice-president, says the ME's products are inter-related from stock trading to options.

All four Canadian exchanges are trying to find niches in the age of all-screen trading.

"We must retain a floor in Montreal and we can be a viable regional trading centre for stocks and derivatives. We have the infrastructure but we must stage a big marketing job in derivatives," says Mr Perreault.

"It means moving aggressively to foster domestic interest – and then we'll turn to international clients."

Robert Gibbens

PROFILE **Caisse de dépôt et placement du Québec**

A marked shift in investment policies

A global economy requires a global approach

The Caisse de dépôt et placement du Québec, Canada's most powerful institutional investor, is striking out in new directions as it pursues higher returns on its investments.

The caisse, which manages assets of about C$52bn for 18 Quebec public sector pension funds and agencies, has had a mixed record since its inception in 1965. In two of the past four years, 1993 and 1995, it posted returns of 19.7 and 18.2 per cent respectively. In 1992, the value of its investments expanded by only 4.5 per cent; in 1994, they shrank by 2.1 per cent.

The caisse's average annual return of 11.1 per cent over five years lags behind the 12.5 per cent average for Canadian pension funds. The second-biggest fund, the Ontario Teachers Pension Plan Board, has racked up returns of 13.5 per cent.

Critics periodically accuse the caisse of putting the interests of politicians above those of the province's pensioners. The caisse's most sensational foray into the political arena took place on the eve of the October 1995 independence referendum, when currency and bond markets were seething with uncertainty. Forex traders let slip the caisse was an unusually heavy buyer of Canadian dollars, apparently to support separatist arguments that a Yes vote would not unsettle financial markets. The caisse responded by sharply reminding banks of confidentiality rules.

However, a marked shift in investment policies is under way on at least three fronts:

● The caisse has moved a steeply rising proportion of its portfolio into assets outside Canada. Foreign investments soared 61 per cent in the first six months of this year to C$10bn, or almost 20 per cent of total assets.

Chief executive Jean-Claude Scraire notes that Canadian markets are relatively small. "We really think that the economy is more and more global, and we need to have a global approach," he says.

The drive beyond Canada's borders was initially based on a country-by-country approach. However, Mr Scraire says international investments are increasingly judged by sector.

Chief executive of the caisse, Jean-Claude Scraire

● Sizeable losses in recent years in the property sector, especially in Quebec City, have persuaded the caisse to adopt a more flexible policy in administering its real estate portfolio.

The caisse is also broadening the horizons of its property portfolio. It recently bought control of Bentall Corporation, a sizeable Vancouver-based landlord, made its first real estate investment in Mexico, and backed a housing project in Poland. It is on the lookout for opportunities in Argentina, Brazil and Chile, as well as parts of Asia, including Indonesia and Vietnam.

● Emphasis is growing on investments in private companies, both in Quebec and abroad. According to Mr Scraire, "it's more and more difficult to do better than the markets, because they're more and more efficient".

Five new subsidiaries were set up last year to spearhead the search for hidden gems. Each focuses on a different area, requiring specialised skills. Their mandates include communications; other innovative technologies in areas such as health care and information systems; investments of under C$1m; mid-sized and large companies; and international opportunities.

The caisse hopes the foreign-investment fund, Capital International CDPQ, will help lower its dependence on outside portfolio managers as it builds up its presence abroad. External managers presently take care of about 40 per cent of the caisse's assets outside Canada. Another 40 per cent are managed internally, with the remaining 20 per cent consisting of index-linked investments.

Responding to criticism about political connections, Mr Scraire insists the autonomy of the caisse is respected by each government. On the other hand, the caisse makes no apology for seeking to realise "collateral economic benefits" for Quebec. It is more likely, for instance, to give business to securities dealers with offices in Montreal.

Ironically, some of the apparently political investments have turned out to be good bets for Quebec pensioners. The caisse garnered an estimated C$7m profit, for example, from its pre-referendum foray into the currency markets. The pro-Canada side won, and the Canadian dollar rallied strongly.

Bernard Simon

■ The economy: by Bernard Simon

Slow to latch on to fiscal restraint

Long-term prospects depend on whether a restructuring can be effected

The diverse elements in Quebec society – federalists and separatists, business and trade unions, English and French – agree on one thing: the economy is not in great shape.

Quebec has underperformed the rest of Canada for almost three decades. GDP grew at an average annual rate of 2.6 per cent between 1970 and 1995, compared to 3.1 per cent for the country as a whole.

While the national unemployment rate stood at 9.9 per cent in August, the rate in Quebec was 12.6 per cent. Capital investment shrank 4.6 per cent in 1995 and, according to Quebec's bureau of statistics, is expected to contract another 2 per cent this year.

Some fresh air has flowed into the economy over the past decades. According to the Conference Board of Canada, the volatile primary sector's contribution to output has shrunk from 8 to 3.3 per cent since the early 1960s. Montreal has become the centre of Canada's biotechnology, aerospace and software industries, and Quebec makes up about a third of Canada's technology exports.

The province was among the strongest proponents of the 1989 US-Canada free trade agreement. The pact has hurt some sectors, but it has helped many others. Even parts of the clothing industry, expected to be among free trade's casualties, have flourished.

However, Quebec has been slower than most other provinces to adapt to a competitive, market-oriented environment. Taxes are the second highest after Newfoundland, and government interventionism has long been a way of life. Generous subsidies and tax concessions have played a crucial role in attracting investors.

Quebec has also been slow to clamber on the fiscal restraint bandwagon now rolling through Canada. In the year to March 31 1995, the budget deficit reached C$5.7bn, or C$784 per resident, a figure exceeded only by neighbouring Ontario.

Political uncertainty has contributed to the economy's lacklustre performance, although economists disagree on how much.

However, Bank of Montreal recently blamed mediocre prospects in many service industries and residential construction on weak population growth, due partly to an exodus, mainly of English-speaking Québecois, to other parts of Canada. Housing starts slumped by 35 per cent in 1995 to 22,000 units. Real estate agents estimate there are about 20 sellers for every buyer of an existing home.

According to a survey by the Conseil du Patronat, Quebec's main business group, only 9 per cent of members described the political climate as "good", while 57 per cent said it was "bad".

The Bouchard government is counting on a combination of fiscal restraint, investment incentives and the moratorium on the drive for independence to change the mood. Mr Bouchard has promised to balance the budget by 2000. The deficit dropped to C$3.9bn in the fiscal year to March 31 1996, and is due to shrink to C$3.2bn in 1996/97.

The emphasis is on spending cuts, especially in health care, education and social services, which between them make up about two-thirds of the budget. Debt-service payments, which are falling markedly on the back of lower interest rates, make up another 14 per cent of expenditures.

Non-interest outlays are due to be chopped by 3.7 per cent in the current fiscal year and by another 3.3 per cent in 1997/98.

Nesbitt Burns, a securities firm, praised this year's budget for containing "no major tax hikes, no optimistic economic assumptions and no Ottawa bashing".

Economists are generally confident the government will take whatever measures are needed to meet the zero-deficit target. Peter Plaut, vice-president for sovereign debt at Salomon Brothers, expects Quebec's credit rating to remain stable.

Bernard Landry, finance minister, says the main risk to the zero-deficit goal is a recession. He expresses a "secret hope" that next year's target will be exceeded, thanks to stronger-than-expected growth.

The Desjardins group predicts GDP growth will accelerate from 1.5 per cent in 1996 to 2.5 per cent next year.

The public sector will remain a drag on the economy. Besides government cutbacks, Hydro-Quebec, the provincial power utility, has no big projects on the horizon. A network of huge hydro-electric stations near James Bay in north-west Quebec made a big contribution to economic activity in the 1970s and 80s.

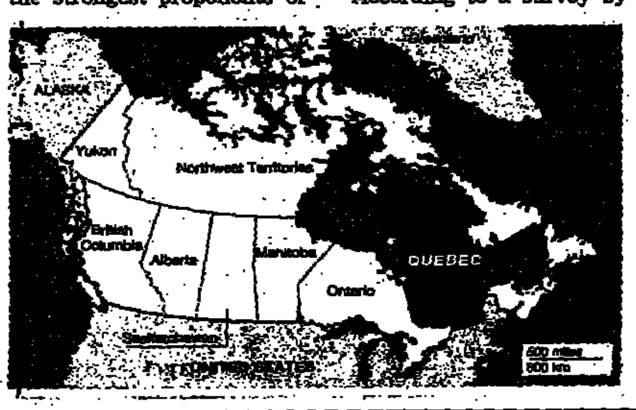
Household spending is also expected to remain slack.

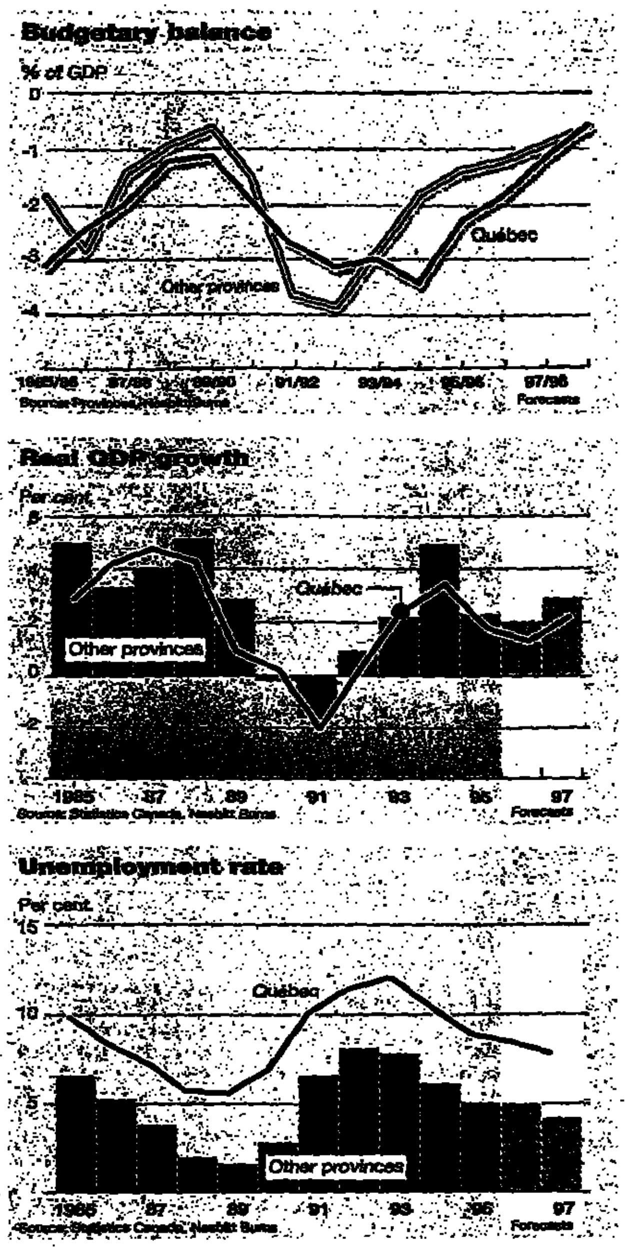
Exports, especially to the US, are expected to be the main engine of growth in 1997. In the past five years, their contribution to GDP has grown from 18 per cent to almost 29 per cent.

But Quebec's longer-term economic prospects hinge to a significant degree on whether Mr Bouchard and his colleagues succeed in restructuring the economy. Political stability – with or without independence – would also help.

According to Mr Landry, the state has become more of a "strategist" than an "interventionist". He compares the present government to "a conductor of an orchestra, but the conductor is not playing an instrument".

However, nursing the economy back to health is likely to be a long process. In spite of the projected upturn in 1997, forecasters agree that Quebec will grow at a slower rate than the rest of the country.





PROFILE Hydro-Quebec

Government's dream team takes over

Caillé will need all his negotiating skills to bring down the operational costs

André Caillé, 53, is the "new man at the switch". He took over as president and chief executive of Hydro-Quebec, one of Canada's two biggest electric power utilities, in October after a year of top-level turmoil.

A week later, Hydro-Quebec's sole shareholder, the Quebec government, persuaded Jacques Ménard, 50, a prominent Montreal investment banker, to become part-time chairman of the utility's board.

The two appointments cleared up a period of indecision and government frustration with the previous leadership, daily operations and planning. By the nature of things, the bickering even got a public airing in the National Assembly.

Hydro-Quebec, with 1995 revenues of $7.6bn, profit of $390m and 24,000 employees, of which 17,000 are union members, has come to the end of the dam-building spree which has lasted a quarter of a century. Existing projects are now geared to short-term demand.

The shifting of gears is a response to slow domestic market growth and lower demand in the north-eastern US, Quebec's main export market. The US electric power industry is being deregulated, and Canadian utilities, such as Ontario Hydro and Hydro-Quebec, face changes in marketing patterns and increased competition.

Lucien Bouchard, the Quebec premier, had directly intervened and fired the previous chairman, corporate lawyer Yvon Martineau. He, in turn, had dismissed his full-time president and chief operating officer, engineer Benoit Michel.

"I decided I needed businessmen to lead Hydro-Quebec and do what has to be done," said Mr Bouchard. Both executives are well known in Canada, the US and Europe. Mr Caillé is former chairman of the Canadian Gas Association and former president and chief executive of Gaz Metropolitain, Quebec's sole natural gas utility; and Mr Ménard is a former chairman of the Montreal (Stock) Exchange and deputy chairman of Nesbitt Burns, Canada's second biggest investment banking firm.

Mr Ménard joins many prominent people in related industries in saying Mr Caillé is the right man for Hydro-Quebec. "André is a strong leader, a visionary, yet with a hands-on pragmatic approach," he says. "He listens carefully and is adept in getting a big organisation to accept new ideas."

Mr Caillé, who comes from a farming family, helped to set up Quebec's Environment Department in the 1970s. He was a deputy minister for several years and then moved to Gaz Metro in 1982 to head corporate planning. In 1987 he was appointed chief executive.

He operated the utility on private-sector lines, in spite of indirect government ownership control and price regulation; improved efficiency in the face of tough union opposition; and doubled natural gas's share of Quebec's energy market to 16 per cent. He also doubled profits.

He constantly fought what he saw as political favouritism towards Hydro-Quebec. Hydro-Quebec provided $731m last year to the provincial treasury in capital taxes, other taxes and loan guarantee fees, and electric power is Quebec's energy market leader.

Mr Caillé could also see the domestic market's limits and quietly prepared Gaz Metro to become a gas supply hub for New England and the north-eastern US. TransCanada PipeLines remains a principal partner in this strategy – almost all Quebec's natural gas moves from Western Canada's producing fields via TCPL's main trunkline to Montreal.

Within a few years, gas will become available from the Sable Island fields off Nova Scotia in the east, and Mr Caillé wanted that gas to be piped via eastern Quebec to the Montreal hub and then to the US rather than exported directly to the Boston area via New Brunswick. Such broad issues will remain with him at Hydro-Quebec, since the two Quebec utilities could eventually co-operate in marketing electric power and gas to the north-eastern US.

Mr Caillé knows he must shape Hydro-Quebec into an efficient, competitive and aggressive organisation and return profits to the 1991-93 average of about $750m. The company has installed capacity of 31,200MW, plus a long-term contract to take 5,200MW from the Churchill Falls hydro plant in Newfoundland-Labrador – which it helped to finance. Only a small fraction of its capacity is nuclear.

Declining construction activity and borrowing needs will help, as will lower interest rates, but more restructuring and staff reductions are expected. Hydro-Quebec had already streamlined management and begun cutbacks through attrition and early retirement, but the unions will fight further reductions.

"I always liked challenges," says Mr Caillé, and he will need all his ingenuity, determination, judgement, patience, good humour and negotiating skills to hammer Hydro-Quebec's operating costs down. Partial privatisation of the utility has often been discussed in political circles, but Hydro-Quebec has many other battles to win first.

Robert Gibbens

■ **Foreign investment:** by Bernard Simon

Uncertainties leave a mark

Investors are unsettled – but not dissuaded – by political question marks

Conventional wisdom in English-speaking Canada is that investors are giving Quebec the cold shoulder so long as it toys with secession. On the other hand, the Quebec government and its supporters insist capital is still flowing in, with politics playing at most a minor part in the investment equation.

The facts suggest the truth lies in the middle.

Recent political upheavals and the fear of worse to come have undoubtedly unsettled investors. Quebec 10-year bonds are trading at higher yields than any of Canada's nine other provinces. The yield was 38 basis points (equal to 0.38 percentage points) above equivalent government of Canada securities in late October, compared to 19 points for New Brunswick and 15 points for Manitoba, both of which have the same A1 rating from Moody's, the credit-rating agency.

Quebec makes up about a quarter of Canada's GDP and population. But according to the federal department of industry, the province accounted last year for less than 9 per cent of foreign investments notifiable under the Investment Canada Act (which covers mostly large investments from countries other than the US).

Corporate executives tick off – invariably not for attribution – tangible signs of weak investor confidence: political uncertainty persuaded the board of one well-known UK manufacturer not to go ahead with a planned expansion of its plant in Montreal. A Toronto real estate financier says his company has unloaded its entire portfolio of Quebec mortgages, and closed a small office in Montreal. An economist who sits on the boards of several Ontario pension funds says they are taking on no new exposure to Quebec.

A survey by Royal LePage, a real estate broker, estimated that investment in Montreal commercial property slumped by 59 per cent in the first half of 1996, in contrast to a 14 per cent gain in Toronto.

This apparent nervousness does not mean however, that investment has dried up. Some well-known foreign companies – mostly those which already have a presence in Quebec – not only praise the business climate, but have backed their words with substantial sums of money.

The finance ministry has compiled a list of 46 projects, with an estimated value of C$2.2bn, unveiled by investors so far this year. This include such names as Wyeth-Ayerst (pharmaceuticals), Pratt & Whitney (aircraft engines), and Armstrong (vinyl tiles).

Rolls Royce, the UK aero and industrial engine group, is in the midst of a substantial expansion of its facilities

> 'It's been a first-class province to deal with ... *they've* done a superb job'

in Montreal. One of its Quebec subsidiaries, Rolls-Royce Gas Turbine Engines, has been given the mandate for research and development on the industrial version of the Trent aero engine.

"It's been a first-class province to deal with," says Robert Baugniet, vice-president for corporate affairs at Rolls Royce Industries Canada. "They've done a superb job with the aerospace industry."

Ericsson, the Swedish telecommunications equipment maker, chose Montreal in 1992 as the research and design centre for all cellular phone software using North American standards. Ericsson's Montreal-based workforce has ballooned from 30 to 750 in the past decade.

Several US and European pharmaceutical groups are also expanding operations in Montreal (see "Swedish investment", right). Microsoft paid C$175m last year for Softimage, a Quebec-based developer of video animation software.

Those pressing ahead with new investments give similar explanations for their decision. They praise the Quebec government for focusing on a handful of promising sectors – notably, pharmaceuticals and aerospace – and then going all-out to create an hospitable environment.

The standard of technical and scientific education also gets high marks, encouraging co-operation between business and local educational institutions. For instance, several foreign companies have entered partnerships with one or more of the 18 post-secondary colleges known as Colleges d'enseignement général et professionnel (CEGEPs). Each CEGEP has its own speciality, such as computer-aided design, textile technology, robotics and marine resources.

French-speaking graduates typically stay close to home. According to Mr Daniel Branda, president of Hewlett-Packard's Canadian subsidiary, the turnover rate among research and development staff in HP's Quebec operation was 2.6 per cent in 1995, far below US levels.

Financial support from the federal and provincial governments has played a pivotal role. Galderma, a skin-care products group jointly owned by Switzerland's Nestlé and L'Oréal of France, received C$3.5m in government support for a C$35m plant on Montreal's west island. The two levels of government also chipped in C$2.9m towards a C$20m project to double the capacity of a yoghurt factory near Montreal, owned by France's Groupe Danone.

A slew of tax incentives are available, some tailored especially for foreign investors. For instance, funds received by a foreign subsidiary for research and development are not deducted from expenses eligible for tax credits.

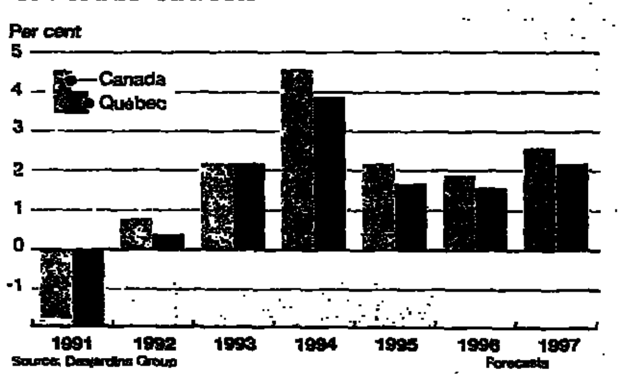
No matter what their opinion on Quebec politics, foreign executives generally enjoy living in Montreal, with its European ambience, diverse cultural activities and year-round recreational facilities. Two French-language "lycées", popular in the expatriate community, are said to be among the finest anywhere.

Optimists suggest that, with house prices low, this may be the best possible time to move to Montreal.

Nevertheless, the uncertain political climate has left its mark even on those companies expanding their presence in Quebec. A common complaint is the difficulty of recruiting managers and specialised skills from outside the province. This is thought to be partly because of the risk of a further slide in property prices, and restrictions imposed by the French-first language law on English-language education.

On balance, while foreign investment continues to flow into Quebec, it's hard to avoid the conclusion that the flow would be significantly stronger if the threat of secession were removed.

Economic outlook



Source: Desjardins Group

PROFILE **Astra Pharmaceuticals**

Astra, the fast-growing Swedish pharmaceuticals group, illustrated the front cover of its latest annual report with a picture of a scientist working behind a screen of bubbles in a Montreal laboratory.

At a time when some investors are shunning Quebec, Astra has chosen Montreal as the site of a new research centre. The facility, now nearing completion in an industrial park close to Dorval airport, will spearhead Astra's search for an oral drug to ease chronic pain.

The Swedish group plans to spend about C$300m at the 6,500 sq m laboratory complex over 10 years. The centre will initially employ about 70 people. (Most have already been hired and are working in temporary accommodation.)

Per From, executive vice-president of Astra Research Centre Montreal, says "we try to avoid all political discussions". He adds that the company has no regrets over its choice.

"It's easy for me to come as an expatriate to Canada," he says, pointing to Montreal's warm summers, winter sports and abundant cultural facilities. "You have the best from the US and none of the disadvantages."

Astra considered several other locations for the centre, including Boston, Vancouver and the US west coast. It was swayed partly by generous Quebec and federal government tax incentives for research and development. According to Price Waterhouse, the auditing firm, the net after-tax cost of each C$100 in R&D wages is C$37 in Quebec, compared with C$41 in neighbouring Ontario, C$59 in Connecticut and Massachusetts, and C$61 in North Carolina.

The Canadian government removed one potential obstacle in 1993 by abolishing, under strong pressure from the brand-name pharmaceutical industry, a controversial system of compulsory licensing of patent drugs to generic manufacturers.

Astra was also attracted by a skilled workforce, nurtured by close collaboration between the pharmaceutical industry and four local universities. "The mentality among the universities is very close to what we're used to in Sweden," Mr From says.

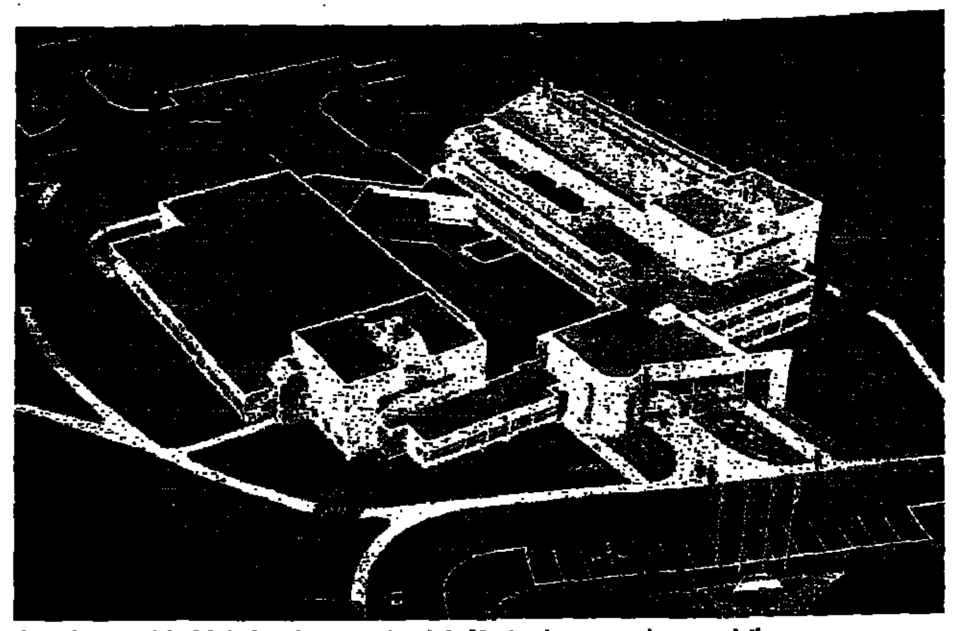
Several senior staff at the Montreal research centre are also professors at McGill University and the Université de Montréal. Astra plans to employ some post-doctoral students, and helps finance scholarships granted by the Ottawa-based Medical Research Council.

Several other factors worked in Montreal's favour. Costs were relatively low, especially for land and buildings. Local authorities were co-operative. According to Mr From, "all difficult questions have been solved quickly".

Pressed on the drawbacks of an investment in Quebec, he echoes the concern that political uncertainty may make recruitment difficult outside the province. "It's important that politicians focus much more on economic issues," he says.

Nevertheless, Astra appears to have committed itself to Montreal for the long haul. The research centre, which will be officially opened next May, can be expanded on the existing site to accommodate as many as 550 employees. Astra also has an option to buy a neighbouring property of the same size.

Whether those expansions take place may hinge as much on Astra's success in coming up with new drug discoveries as on the course of Quebec politics.



An artist's model of Astra's pain research unit in Montreal, now nearing completion

Swedish investment eases some pain

'You have the best from the US and none of the disadvantages,' says head of pharmaceuticals group

Bernard Simon

■ **Natural resources:** by Robert Gibbens

Profit in rocks and hard places

Investment programme set to boost the sector's 25 per cent economic role

After a decade of commodity price swings, Quebec's natural resource sector is preparing another round of modernisation and expansion. New investment of several billion dollars is lining up from big Canadian and international companies, aimed at improving efficiency and expanding existing capacity.

The resource sector already accounts for 20 to 25 per cent of Quebec's economy and about 25 per cent of its exports. It supports scores of smaller communities, and many segments get tax breaks and infrastructure aid from the federal and Quebec governments.

The risks of a US downturn, slow European growth, prolonged recession in Japan and volatile commodity prices worry the sector more than the issue of independence. It survived the 1970-85 political turmoil well, and most expect that, although some direct investment may be delayed, Quebec's drive for autonomy will finally be settled by compromise.

However, the Canadian dollar is a concern. It is appreciating after holding at around 73 US cents for two years, and resource companies are anxious to keep their costs in line. Happily, the Quebec labour climate has improved markedly at the same time, and unions may even invest directly in resource projects to raise efficiency and maintain jobs.

The natural resources sector includes producers of gold, silver and base metals, aluminium, iron ore, asbestos, forest products and building materials; as well as primary processing and some service activities. Quebec does not have oil. There is small shallow gas output between Montreal and Quebec City, but an 11,000-foot well will test this area for commercial gas soon.

About 75 per cent of the output goes to the US, the biggest single market, Europe and Japan. Quebec products also move to the Middle East and other Asian markets, where growth prospects are stronger. Latin America has become a tough world competitor, especially in minerals and pulp.

Quebec products generally move over the border freely, although duty-free timber exports are capped and a magnesium plant is subject to US restrictions.

Europe is a big outlet for timber, paper and building materials, primary aluminium and base metals, but it may follow the US ban on asbestos in most uses. Fibre producers therefore look to Asia and the Middle East for compensating volume, and they are bullish: one mine is being deepened at a cost of C$125m to hold annual capacity at 250,000 tonnes for another 50 years.

Forest products, after several years of depressed prices, did well in 1995, with the best profits since 1989. However, the slump in pulp, paper, packaging and building-panel prices this year has made producers cautious. They are spending heavily to upgrade products and mills to new market demands, but some new projects have been delayed. Stock market values in the summer were down 50 per cent from 1995 highs but have rallied this autumn, reflecting hopes for price recovery in 1997 and merger-takeover talk.

The province is a world leader in primary aluminium because of its low-cost hydro power. Among pending investments is Alcan Aluminium's plan to continue modernising its Quebec smelters, at a cost of C$1.5bn. Reynolds Metals recently completed a big smelter addition; and the Alouette consortium, led by Germany's VAW, is considering smelter expansion on St Lawrence North Shore, costing C$1bn or more.

In the iron sector, Quebec and neighbouring Labrador can produce 60m tonnes of beneficiated iron ore and pellets yearly. Two years of strong world demand and firming prices, with better cost control, have put producers in an optimistic mood. Also, their ore is well suited to the new mini-mills. If the uptrend continues, Iron Ore Co of Canada has said it may reopen a Quebec pellet plant closed in 1981.

In precious metals, Quebec's gold and silver output is small, but there is some exploration, active development and modernisation of mines and mills.

Geologists are excited about the possibilities presented by a nickel-copper-cobalt deposit discovered 60 miles north-east of Sept Iles. Already the nickel outlook is good: Quebec becomes a significant producer in 1998 when the C$500m Raglan mine is due to come on stream. Capacity will be 22,000 tonnes yearly. The concentrates will be smelted at Sudbury, Ontario, and the matte refined in Norway.

Noranda, whose subsidiary Falconbridge owns the Raglan development, has also started a C$33m pilot plant to test whether it can extract high-purity magnesium metal from the great mounds of asbestos mine tailings near Montreal. If the processes prove successful by next spring, and if magnesium prices are stable, the go-ahead for a 58,000 tonnes yearly commercial plant could follow. Investment will total C$500m.

Noranda, the province's biggest resource operator with several billions invested in mining and metals, forest products and research operations, is continuing to upgrade. It is spending C$212m on its 360,000 tonnes yearly copper refinery in Montreal, one of the world's top four. It is raising capacity by 15 per cent to 360,000 tonnes at its Gaspé custom copper smelter, and by 11 per cent to 250,000 tonnes at its zinc refinery near Montreal. An openpit zinc mine will be reopened to feed its Horne custom smelter in the north-west.

Among other minerals mined and processed are:

- Ilmenite, which is converted to ductile iron and titanium slag at a Kennecott smelter near Montreal. This smelter is being expanded at a cost of C$350m. The iron is exported worldwide, and the slag goes to white pigment makers;
- A large niobium mine;
- Undeveloped uranium deposits; and
- Metals such as platinum, selenium and cobalt, which are by-products of smelting and refinering; and
- An on-and-off hunt for diamonds has yielded only traces of kimberlite.

PROFILE **Lucien Bouchard**

The magic is wearing thin

The nationalists continue to play on Québecois's memories of subservience

Lucien Bouchard's spell-binding performance in last year's independence referendum earned him the moniker St Lucien. The media described the separatist leader as Quebec's secular saint, a stature enhanced by his struggle with a near-fatal flesh-eating disease just ten months earlier.

Mr Bouchard, 58, remains by far the province's most popular politician. But his halo has slipped since he took over as premier in February following the departure of Jacques Parizeau.

Michel Lemieux, vice-president for research at Léger & Léger, a Quebec City polling firm, says dissatisfaction with the government's performance has climbed from 20 per cent to 49 per cent since Mr Bouchard took over. "It's not catastrophic, but it's high," Mr Lemieux says.

Mr Bouchard's forceful but down-to-earth oratory fired up the separatists' referendum campaign last year. "A Yes vote will be something magic," he promised at one rally, saying it would rekindle Quebecois' pride and give them the bargaining power to forge a new economic and political partnership with the rest of Canada.

He shrugged off Quebecois' worries that they might lose their Canadian passports. What was wrong with a Quebec passport, he asked.

Mr Bouchard's affinity with his people stems from his roots in the isolated Lac St Jean region of eastern Quebec. The area is reknowned for separatist sentiment and labour militancy, fanned early this century by the dominance of English-speaking resource businesses whose managers were typically English-speaking, and mostly from far-off Montreal or the UK. Local francophones were left with the blue-collar jobs.

Most businesses in Quebec are now run by French Canadians, but the nationalist movement still strikes a chord by reminding Quebecois how they have overcome their subservience.

Mr Bouchard, a truck driver's son and a lawyer by training, entered federal politics in the mid-1980s as one of several Quebec nationalists wooed to Ottawa by former Prime Minister Brian Mulroney. He served as Canada's ambassador in Paris and held a number of cabinet posts. However, hestormed out of the Mulroney government in 1990 in

> The premier just hasn't done well in managing public opinion

protest against a report on constitutional reform written by one of his colleagues, Jean Charest. Mr Charest, who is now leader of the Progressive Conservative party, said last year that Mr Bouchard had refused to speak to him since.

Mr Bouchard used his parliamentary seat as a springboard for the separatist cause in Ottawa by setting up a new federal party, the Bloc Quebecois. The BQ's concentrated power base in Quebec enabled it to gain 54 seats in the 1993 election, enough to form the official opposition.

The secessionists were floundering in last year's referendum campaign until Mr Bouchard pushed aside the more patrician and ideological Mr Parizeau. When the premier announced shortly after the vote that he was stepping down, the only imponderable was whether Mr Bouchard wanted the job.

He accepted after promising his reluctant American wife that he would spend more time at home in Montreal with their two young sons. But balancing the often-conflicting demands on a government leader has turned out to be a tougher challenge than sniping from the opposition benches in Ottawa or galvanising support in the referendum.

Mr Bouchard runs a highly centralised government, relying on a handful of trusted ministers to pursue his immediate goal of repairing the economy. "We must stay on the course we have set for ourselves, regardless of the bad weather that may lie ahead," he said in a speech in early October.

One observer in Quebec City says the premier "is not going to get railroaded into any extremes. He just hasn't done a good job in managing public opinion."

On the days he is in Quebec City, Mr Bouchard reportedly sleeps in the premier's "bunker", just outside the walls of Old Quebec. Some political observers wonder how long he can sustain the furious pace he has set for himself.

Bernard Simon

Technology: by Robert Gibbens

Marketing is the challenge

It's not quite Silicon Valley, but the 'new economy' is a high-tech success

Quebec chose a handful of high-technology growth sectors a decade ago as the core of its "new" economy.

In these sectors, it has taken measures to encourage domestic and foreign investment. Research tax credits are available, as are loans and equity, and even union contributions. The policy has also provided a new focus for education.

As a result, Quebec is now home to 45 per cent of Canada's aerospace industry, 40 per cent of the bio-pharmaceutical sector, 30 per cent of software and information technology, and 40 per cent of telecommunications equipment.

These sectors now supplement resource exports such as minerals, metals, food and forest products; and help to replace declining industries such as textiles and clothing, creating new opportunities for technical college and university graduates.

The strategy is backed by the Parti Quebecois government. Provincial and federal financing programmes for these high-growth sectors have been expanded, and some estimate that the new economy, in the broadest sense, accounts for about 30 per cent of provincial output.

There have been casualties. Fast technological change, poor timing and marketing, or lack of finance have caused some businesses to suffer or fold. Various stifling federal and provincial rules in respect of taxation and language have created problems for some highly trained immigrants and their families. And the local workforce has not necessarily benefited as much as it might have: the high-tech sector, especially biotechnology, brings about a third of its trained research scientists in from outside the province.

Quebec's new economy includes aircraft design, manufacture and associated industries; a range of telecommunications activities; computer parts, electronics and software; medical, car and office electronics and sophisticated machinery; and pharmaceuticals and biotechnology.

Primary and secondary manufacturing plants are highly automated; and office automation is as advanced as in the US. Indeed, in some fields Canada leads the US: General Electric Canada pioneered computer-integrated manufacturing-administration at its Quebec airfoils unit.

Multinationals from Europe, the US and Asia have substantial investments in Quebec via subsidiaries or indirect holdings. They bring in technology, and many Quebec units have worldwide research and manufacturing mandates. Quebec exports technology in turn through its research, engineering and manufacturing activities.

Five universities – three French and two English, research institutes, technical colleges and well-equipped community colleges all play a role in developing the new economy. The universities do contract research for the private sector, and funding pressures are forcing closer links between institutions. Aerospace has the most developed technical training.

Some research institutions are government-owned, others are public-private partnerships or entirely private. They include the new Biotechnology Research Institute, now attracting international investment, Hydro-Quebec's Research Centre, the Federal Industrial Materials Institute, the Canadian Space Agency, the Centre de recherche informatique de Montreal, the Pulp and Paper Research Institute of Canada, Bell Northern Research, Ericsson Communications, P&WC, CAE, Merck Frosst Canada, BioChem Pharma (Glaxo Wellcome associate), Astra, Servier Canada, and Bio/Mega Boehringer Ingelheim Research.

Quebec lacks a "Silicon Valley", but Montreal has scores of specialised firms working in software, specialised computing, telecommunications, multimedia, new CD technology and biotechnology. Quebec City and smaller centres contribute to the new economy. Quebec is also seeking a large semiconductor plant.

"Quebec is right to focus on aeronautics, telecommunications, software, pharmaceuticals and biotechnology," says Jean Pierre Naud, managing partner of Deloitte Touche Tohmatsu International in Montreal. "Innovation is fine but the big challenge is marketing. Our domestic market is tiny and we must think globally. Partnerships can spread the huge cost of selling, say, in Asia."

Apart from the federal-provincial tax credits, Quebec has an array of direct financing sources for entrepreneurs developing new high-tech products. Phoenix International Life Sciences has become a leading North American contract research organisation with 1,000 staff in only seven years, with federal research credits, Quebec labour tax credits, loans from Quebec's Industrial Development Corporation and other venture capital, says John Hooper, chairman and founder.

The Caisse de dépôt et placement, the Quebec public-sector pension plan manager, has units that back start-ups, research, product development and marketing. Its new Sofinov subsidiary has more than C$200m available to invest in small and medium-sized growth companies through equity or quasi-equity.

Consortiums comprising government agencies, the caisse, the commercial banks and the unions' Solidarity Fund also back the high-tech sector with loans and equity.

Technocap, for example, a venture capital consortium, has had its capital doubled to \$100m. Initial equity investments of \$10m have enabled multimedia, software, telecommunications and Intranet development firms to raise \$32m in finance and create 200 new research and technical jobs.

Monique Lefébvre, now president of Quebecor Multimedia

Risky business no problem

"High-tech and the new economy are easier sells for Quebec at this stage than other sectors because entrepreneurs and younger investors, from Canada and abroad, are used to accepting risks," says Monique Lefébvre, former chief executive at Centre de recherches informatique de Montreal.

Quebec has an ample flow of high-quality scientists and the fiscal advantages to attract research projects, start-ups and smaller production ventures, especially in biotechnology, software and telecommunications equipment, she says.

Younger entrepreneurs and scientists sense an optimistic environment in Quebec, especially in Montreal, with its four universities and proximity to all major North American cities.

Mrs Lefebvre is now president of Quebecor Multimedia, a new subsidiary of the Montreal-based international Quebecor publishing and printing group specialising in interactive multimedia products.

Robert Gibbens

PROFILE Cirque du Soleil

The big top business

Doom-sayers regret their words as unlikely success just continues to grow

In 1985, a troupe of Québec street performers tried to persuade Canada's big banks to lend them C\$1m for a 1,500-seat tent. They were keen to capitalise on the success of an innovative show – part circus, part theatre – that was taking audiences by storm.

"The banks all asked us the same question," recalls Jean David, a member of the group. "What are we going to do with your tent when you go bankrupt?" The only lender willing to put up some money was a credit union whose normal business was managing trade union strike funds.

The banks have reason to regret their tight-fistedness. Cirque du Soleil (Circus of the Sun), has grown into an internationally acclaimed business with 1,200 employees and sales this year expected to reach C\$125m. Profits are not disclosed, but according to Mr David, vice-president for marketing, "it's a very profitable company". Two of the founders, Guy Laliberté and Daniel Gauthier, both in their 30s, are the sole shareholders.

Cirque du Soleil describes itself as "a dramatic mix of circus acts and street theatre". Traditional circus staples – including animals and sawdust – have made way for supple gymnasts, divers and dancers performing carefully-scripted acts heavy on metaphor and emotion. Time magazine's theatre critic wrote recently that Quidam, Cirque's latest show which recently opened in California, "pulls the audience out of domesticity into the ethereum of its wizardly wit".

Eight Cirque shows have criss-crossed North America, Europe and Japan over the past decade. The best known include Saltimbanco (currently playing in Zurich) and Alegria (which starts a European tour in Amsterdam next March).

Cirque has also devised several permanent shows, with a financial backer putting up the capital for a venue. The first permanent show, Mystère, has played at the Treasure Island resort in Las Vegas since 1993. Another Las Vegas show will start in 1998.

Under a 12-year agreement with Walt Disney, a 1,650-seat Cirque du Soleil theatre is scheduled to open in November 1998 at Disneyworld in Florida. Cirque has also signed a deal for a C\$70m theatre on Berlin's Leipzigerplatz, to be built by a German developer. The Berlin project is due for completion in 2001. Negotiations are under way for other permanent sites.

Cirque is keen to leverage its shows into other business ventures. It hopes the deal with Disney will lay the groundwork for films, TV series and videos.

Cirque publishes a mail-order catalogue with products ranging from key rings to leather jackets. Merchandise sales make up 11 per cent of annual revenues, or close to C\$15m.

Another 4-5 per cent of revenues come from corporate sponsors. The UK's Hutchison Telecom has agreed to pay several hundred thousand pounds to publicise its Orange mobile-phone service in tandem with Saltimbanco, which returns to London's Royal Albert Hall next January. Other sponsors include Nissan in Japan, AT&T in the US and Hong Kong's Swire Group.

Ideas for new projects are a recurring theme at of Cirque's thrice-yearly week-long meetings for its 12-member executive committee. The question, however, is whether the company can keep its creative levels up as it grows into a multinational business. As Mr David notes, "the real challenge is to reinvent ourselves. If we want to survive, we always have to be the best".

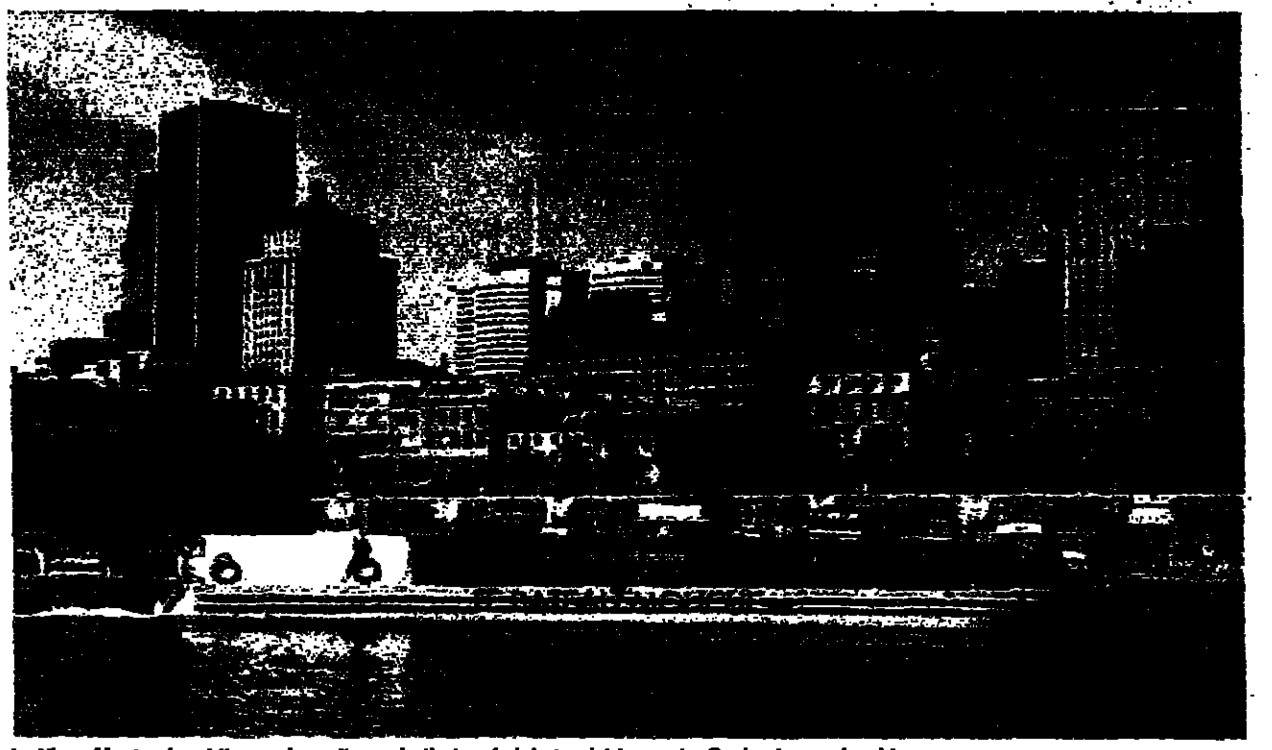
Bernard Simon

A scene from Cirque du Soleil's latest show, Quidam Picture: Al Seib

■ **Tourism:** by Robert Gibbens

An area of great beauty

The challenge is to extend the traditional season and expand winter volume



Le Vieux Montreal and the modern city are both dwarfed, in tourist terms, by Quebec's awe-inspiring scenery Picture: Vincent Massero

It may be the ecology movement, the whales, or simply a low Canadian dollar, but the Québecois have finally latched on to the fact that tourism offers more than trips to historic Quebec City and Montreal. It can, indeed, buoy the whole economy of the province.

Quebec City, La Vieille Capitale (founded 1608), will always be the living link with Europe, and with explorers Jacques Cartier and Samuel de Champlain. Montreal also has its charming Le Vieux Montreal area, dating back three centuries. But it has modern Montreal too, the business and cultural interface with English-speaking North America.

Both cities cater to international tourism at every level. Montreal, founded in 1642, has international jazz, film and *Juste pour Rire* (Just for Laughs) festivals; an extensive French and English cultural programme; the province's biggest casino; and, at nearby Drummondville, the International Folklore Festival.

Quebec City has the Winter Carnival, spectacular canoe races dodging the St Lawrence ice floes, and Olympic skiing and sailing; the famous Chateau Frontenac hotel and Dufferin Terrace; a plethora of historic and cultural focus points; bucolic Ile d'Orleans; and the Shrine of Ste Anne de Beaupré, as busy as Lourdes in summer;

Both cities offer all types of accommodation, from top-ranking urban hotels to country inns offering sailing, tennis, golf and many other activities. The Vancouver-based Intrawest group are just completing a $500m year-round resort at Mont Tremblant, 60 miles north of Montreal, which is to offer Olympic skiing and a full range of summer sports.

What sets Quebec apart, however, is probably its natural beauty. The lower St Lawrence, east of Quebec City, has come into its own over the past decade, attracting hundreds of thousands of visitors annually from all over the world. They are entranced by the river itself, the scale of the scenery, the expanse of forests and lakes, the rich flora and fauna, and the fun offered by the snow – including cross-country skiing and long-distance "snowmobiling".

The province regards tourism as a growth industry. Its biggest challenge: to extend the traditional May-October season, and expand winter volume.

Tourists can begin in Montreal, travel east by road or train to Quebec City and along the St Lawrence North Shore via mountainous Charlevoix County to the mouth of the River Saguenay and Tadoussac. They may be lucky enough to spot a Beluga whale near the Saguenay, and they will certainly see the big Atlantic species by the score further down, where the river widens, deepens and is rich in nutrients. Boat trips range from the luxurious to those catering for the fact-hungry eco-tourists.

Many visitors return directly to Quebec City and Montreal, but others stay with the majesty of the St Lawrence, North America's largest river system, as it flows from the Great Lakes, past Newfoundland, to the Atlantic. They continue to Baie Comeau and Sept Iles, industrial towns well served by good hotels and restaurants, and from where fishing and hunting sorties can be organised. Sept Iles is nearly 700 miles from Montreal, and the river is nearly 50 miles wide at this point.

The road east of Quebec City is narrow but safe, if driven with caution. Traffic is light, but watch for timber trucks and the huge North American tractor-trailers.

To the north lie several hundred miles of forests and lakes up to the permafrost line, often accessible only by air.

There are several ferry services across the St Lawrence below Quebec City. The North Shore road ends at Havre St Pierre, a mining town below Sept Iles, and tourists can cross by ferry to Riviere-au-Renard, in the Gaspé Peninsula on the South Shore, passing Anticosti Island, a hunting and fishing paradise.

The South Shore is more fertile and the towns larger, older and more picturesque. One of the Gaspé's gems is the Gite du Mont Albert, a climbing, hiking, fishing, hunting and ski centre in the Chic Choc Mountains, an outcrop of the north-eastern US Appalachians. It is one of the few places in Quebec where Alpine flora flourish.

In late autumn, the great North-South bird migration is over and the islands near Montmagny fall silent. The birdwatchers have gone home, and the hinterland ski centres begin preparing their slopes.

The St Lawrence is busy with bulk carriers, freighters, supply vessels and cruise liners in summer, but in winter the pace slows – although ice-strengthened container ships and oil tankers do reach Quebec City and even Montreal in January and February, the coldest months. Construction of the Seaway in the 1950s opened the river between Montreal and Toronto to ocean freighters and trebled traffic on the lower St Lawrence. Until the jet age, most tourists saw the river only from the decks of large transatlantic liners.

Rural Quebec, before the car and the computer, was immortalised in the province's greatest film, *Mon Oncle Antoine*, dramatising forcefully the harshness and heroism of country and village life a century ago. Today Quebec families are smaller, and many have left for the cities. Those remaining are encouraged by the new surge in tourism.

Visitors from Europe, the US and Japan find Canadian prices low, with the Canadian dollar worth around 74 US cents.

Tourist services are available in French and English in Montreal, but French predominates in Quebec City and smaller towns.

■ **Montreal:** by Bernard Simon

The glory days appear to have gone

It is still refreshingly unique – but there are signs of a city in decline

Visitors to Montreal may find themselves returning home both refreshed and depressed.

"It's still got real pizzazz," says a Toronto merchant banker after an evening in a lively cigar bar. With its ornate Roman Catholic churches, pavement cafés and French signs, Montreal has an ambience unlike any other North American city.

However, the world's biggest French-speaking city after Paris has been in decline since it played host to the summer Olympics 20 years ago. The deterioration relative to other Canadian cities appears to have accelerated in the past five years.

According to Royal LePage, a property broker, Montreal and its suburbs had an office vacancy rate of 16.3 per cent in the third quarter, compared to 15 per cent in Toronto and 7.1 per cent in Vancouver.

The industrial vacancy rates were 9.4 per cent, 7.4 per cent and 3.5 per cent respectively. A taxi driver jokes bitterly that "à louer" (for rent) is the most common sign on the highway from the airport.

Unemployment in Montreal is also significantly higher than the national average. Some of Canada's best-known companies, such as Canadian Pacific, Alcan Aluminium, Royal Bank of Canada, Bank of Montreal and BCE, still maintain their head offices in the shadow of Mont Royal. But their commitment to Montreal is not what it used to be.

Canadian Pacific is moving a large chunk of its rail operations to Calgary, Alberta. The banks have relocated most of their senior executives to Toronto, and Bank of Montreal is even considering changing its name. Several international airlines have withdrawn flights to the city in recent years.

Pierre Bourque, Montreal's mayor, says: "My challenge is to re-establish Montreal as a link between Canada and Quebec, as a multicultural city, as a city of the world".

Mr Bourque, a horticulturalist and retired director of the city's botanical gardens, has faced an uphill struggle since being swept into office in 1994 just six months after forming a grassroots party called Vision Montreal.

Politics can't be entirely blamed. Like many other north-eastern North American cities, Montreal's industrial base has been eroded by the closure of oil refineries, petrochemical and steel plants, and textile factories. The growing importance of trade across the Pacific has drawn traffic away from the St Lawrence River.

Heavy job losses among relatively old workers with little education have led to poverty and decay found in few Canadian cities. Efficient urban government has been hampered by the existence of no fewer than 111 municipalities in the Greater Montreal area, including 29 on the island of Montreal.

However, the threat of Quebec secession has cast a long shadow. Pension funds and other investors outside Quebec are reluctant to put their money into Montreal property. The English-speaking population, once the cream of the establishment, has been demoralised by Quebec's French-first language law and the threat of a messy split from Canada.

Mr Bourque estimates that of the 500,000 people who have left the island of Montreal in the past five years, some 150,000 have gone to Ontario and points west. The other 350,000 who have left, mostly francophones, now live in outlying suburbs like Laval and Longeuil.

They have eroded Montreal's tax base, and they have left behind a city with a high proportion of anglo and immigrant voters unsympathetic to the secessionist government in Quebec City.

Mr Bourque complains that, as a result, Montreal – with 3.2m residents or more than a third of Quebec's population – gets less attention than it deserves from provincial politicians and bureaucrats. "They consider Montreal as region 06 among 15 regions," he says.

The picture is not altogether gloomy. The fur trade, which gave Montreal its start as a commercial centre in the early 18th century, has given way to a flourishing fashion and design industry.

Conducting business in French has proved to be an asset for many companies. With many French-speaking workers and graduates choosing to remain within their own milieu, labour turnover is low.

The city has drawn up a long list of grassroots projects it hopes will help lift the gloom. Lucien Bouchard, Quebec's premier, created a special cabinet portfolio earlier this year for the redevelopment of Montreal. The Miron quarry, a large landfill site, is being converted into a park with bicycle paths and walking trails. Ambitious plans have been drawn up to make the St Lawrence River and other waterways more attractive.

Property taxes have been cut to staunch the business exodus. According to Mr Bourque, Montreal's taxes will be 34 per cent higher than neighbouring municipalities by next year, compared to a 64 per cent gap in the early 1990s.

Gilles Soucy, chief economist at the Desjardins financial services group, says these initiatives and greater private sector involvement in municipal affairs have improved Montreal's prospects. However, many business leaders contend that only an improved political climate will restore Montreal to its former glory.

No matter what their political views, everyone seems to agree that the recovery will be a long, slow process – if and when it comes.